ALYESKA PIPELINE SERVICE COMPANY COVERT OPERATION

OVERSIGHT HEARINGS

BEFORE THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

ALYESKA PIPELINE SERVICE COMPANY COVERT OPERATION

HEARINGS HELD IN WASHINGTON, DC
NOVEMBER 4, 5 AND 6, 1991

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ALYESKA PIPELINE SERVICE COMPANY COVERT OPERATION

MONDAY, NOVEMBER 4, 1991

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 9:45 a.m., in room 2226, Rayburn House Office Building, Hon. George Miller (chairman of the committee) presiding.

The CHAIRMAN. The full committee will come to order for the purposes of conducting the oversight hearings on the Alyeska covert actions.

This is the first day of 3 days of hearings before the House Interior Committee on the subject of covert surveillance authorized by the Alyeska Pipeline Service Company and conducted by The Wackenhut Company.

On August 7 of this year, the Committee on Interior and Insular Affairs filed a written request for documents from Wackenhut and Alyeska in connection with allegations that the Wackenhut Company conducted undercover surveillance of Charles Hamel on behalf of Alyeska and its owner companies.

In letters to both Wackenhut and Alyeska, I expressed concern that the surveillance of Mr. Hamel was for the purpose of obtaining information on and/or interfering with Mr. Hamel's communications with this committee.

Charles Hamel has been a source of information for Congress, State and Federal regulatory agencies, and the media, concerning environmental, health and safety violations by Alyeska and its oil company owners. Mr. Hamel has served as a conduit for whistleblowers, including Alyeska employees, to make public information on oil industry practices. At the same time, Mr. Hamel has at least two significant business disputes with Alyeska and Exxon.

I want to make very clear that it is not the purpose of these hearings to determine whether Mr. Hamel, Alyeska or Exxon are correct in the matter of their lawsuits and business disputes. Nor is it the purpose of these hearings to examine whether Mr. Hamel's various allegations about oil company environmental violations are true or not. These are matters for another day and other forums.

While the validity of Mr. Hamel's environmental allegations is not the focus of these hearings, the fact that Mr. Hamel was an important source of information for this committee's ongoing investigation of the *Exxon Valdez* oil spill and Alyeska operations is very relevant.

In the next two days, we will explore the issue of whether Alyeska's use of a "bogus" environmental group formed by Wackenhut spies was an effort to disrupt and compromise a source of information for this committee's continuing investigation of oil industry practices in Alaska.

These hearings are intended to lay bare the full story of what happened during the covert surveillance of Mr. Hamel and others. We also will seek to determine why the spy operation was initiated and, equally important, why it was terminated.

In my view, it is important to find out why some of the largest and most powerful corporations in this country would resort to such elaborate "sting" tactics to invade and destroy the privacy of Mr. Hamel, Federal and State officials, environmentalists and ordinary citizens.

It has been suggested that the sole purpose of Alyeska's spying on Mr. Hamel was simply to recover "stolen documents." However, if the explanation was that simple, this committee would not be involved in these hearings. If Alyeska's sole concern was "stolen documents," the laws of this country provide an adequate means of redress in the courts.

We believe that the testimony and the evidence presented in these hearings during the next two days will show that the covert surveillance operation involved the much more sinister and disturbing motives of silencing environmental critics and intimidating whistleblowers.

In the course of the committee's investigation, we have received large numbers of documents, electronic recordings and other materials. At various times, the committee Members have authorized by unanimous votes the issuance of subpoenas and the use of certain docments for which attorney-client privilege was claimed.

Our goal has been to conduct a thorough and fair investigation. We have attempted to accommodate a number of concerns raised by the witnesses.

In conclusion, I especially want to express my appreciation for the cooperation that I have received from Congressman Young in this endeavor.

With that, I will recognize Mr. Young of Alaska.

Mr. YOUNG. Thank you, Mr. Chairman.

I would like to welcome the witnesses and I thank you for calling this hearing so we can air some of these issues.

I want to congratulate you on your appearance on television last night. I was almost as surprised that *60 Minutes* had a segment on this investigation as I was to find out that we had a Monday morning hearing. The timing couldn't have been better.

I think the whole story needs to get out. Alaskans need to know what Alyeska did, just what former oil broker Chuck Hamel was doing to warrant such an investigation. The story has been clouded by selective leaks through the media. No one can condone the invasion of privacy of Mr. Hamel. We value our privacy in this country.

I hope to learn in these hearings whether the chairman and his staff were the target of investigations by Alyeska.

I want to be on the record as being in favor of establishing some guidelines for future investigations by this committee. The chairman will agree with me it has not been a smooth process. We need

to sit down and hammer out some rules for such investigations in the future.

I understand the chairman's interest in this matter is extremely personal as well as professional. He believes that he and a member of his staff were the targets of the investigation. Nevertheless, I think we must be able to divorce ourselves from our personal interests in these matters when it comes to potential criminal charges before this committee.

In closing, I want to welcome our witnesses, and ask unanimous consent that Members be permitted to introduce into the record such documents that were produced to the committee as may be needed to question the witnesses.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

In response to your request, I think that is the way we will proceed, but I think we would reserve the right to object if necessary to the introduction of a document. But it is our intention for our discussions that documents will be introduced into the record, that Members of the committee need or desire to question witnesses. So I am in agreement with you. We will go forward with that, by unanimous consent.

Mr. Gejdenson.

Mr. GEJDENSON. I would like to make a brief statement. This is for me the second instance where the heavy hand of a large corporation in Alaska feels that it can operate beyond the law and almost as if it is a tyrannical government on its own. We had Florian Sever who worked for a pulp company in Alaska and was fired because he spoke our about conditions of the workers there. And this may be the finest example of the excess of the 1980's where the corporations felt they could do it all, and had a right to take virtually any action, whether trying to intimidate workers who want to see the laws followed on environmental areas or labor law, or even obviously Members of Congress.

So I applaud the chairman for holding this hearing, and pursuing it, because it is not just this one instance that we are dealing with here. There has got to be a message to other companies that feel that they are above the law, that they have a right to take almost any action to protect their profits.

The CHAIRMAN. Any other Members who desire to make an opening statement?

Mr. TAYLOR. Mr. Chairman, I am concerned about what has happened and what we seem to be investigating. We find ourselves today here ready to beat up on a large oil consortium, if not for illegal acts at least acts that people would perceive as an invasion of privacy. It is a congressional committee's dream, I know, but there are troubling questions that I have about—and I hope this committee will get to the bottom of it—about the company's claim that there were illegal documents being taken illegally from them and passed on to congressional committees.

The corporations that we are talking about here today are not above the law and should not be looked at as being above the law, but neither should Congress or congressional committees and staffs. And I think we have all fought for centuries to establish a government of laws and not men, and I hope we look very carefully

at all the actions here to see that neither side has abused the process and the equal protection of the laws, even for oil companies and large corporations.

The CHAIRMAN. Mr. Richardson.

Mr. RICHARDSON. Mr. Chairman, thank you. I, too, saw you on television last night, and I must say this was the first acquaintance I had to the issue other than supporting you in your efforts to get to the bottom of this issue.

I think the committee's role here is legitimate. I am uncertain about the outcome of my conclusions on this hearing. I stay open minded. But I think in terms of the issues that you have raised, the potential investigation of Members of Congress and other areas that are within the committee's jurisdiction, I think it is the proper role of this committee to be doing what it is doing.

The CHAIRMAN. Any further statements?

If not, we will call the first witness for this morning's hearing, that is, Mr. Wayne B. Black, vice president, Investigations, The Wackenhut Company, Coral Gables, Florida.

The CHAIRMAN. Mr. Black, if you will come forward, it is the practice of this committee to swear all witnesses who appear before it at investigative hearings. Do you have any objections to being sworn?

Mr. BLACK. No, sir.

The CHAIRMAN. Do you solemnly swear or affirm that the testimony you are about to give is the truth, the whole truth and nothing but the truth?

Mr. BLACK. I do.

The CHAIRMAN. In order to inform you of your rights as a witness before the committee and the limitations of the authority of the committee, the Rules of the House of Representatives and the committee are on the table in front of you. Both sets of rules have been previously provided to you.

The role of counsel is to advise you of your constitutional rights. Do you desire to be represented by counsel?

Mr. BLACK. Yes, Mr. Sale, S-a-l-e, Jon.

The CHAIRMAN. Mr. Black, welcome to the committee. First, if we might, could you tell us your educational background after high school?

Mr. SALE. We have written a letter. We would like to invoke rule 12(f)(2), and request all cameras and microphones be turned off. Mr. Black does not wish to be photographed or have his picture taken.

The CHAIRMAN. That is the right of Mr. Black under Rule 12 of the committee since he is a subpoenaed witness.

At this time, all photographing will cease, and the cameras will be turned off during the questioning of Mr. Black before the committee.

Mr. SALE. Mr. Chairman, we have one other procedural matter before you proceed. We would also like to invoke rule 11(k)(5) of the House Rules. Our position is that evidence or testimony at this hearing may tend to defame, degrade, on incriminate Mr. Black, and we are making this assertion in good faith. We are basing it on items such as the chairman's memorandum of September 24, which has been distributed to Members, which accuse Mr. Black of violat-

ing Federal and State criminal laws, and similar allegations have been repeated in the Wall Street Journal on Friday and *60 Minutes* last night. And we think that fundamental fairness requires that the committee take Mr. Black's testimony in executive session, and we request that this hearing be held in executive session, because of the reasons previously stated under that rule.

Mr. LAGOMARSINO. I understand your ruling was that cameras be turned off. I see one in the back with a red light on. And one in——

The CHAIRMAN. At the moment, we are engaged with Mr. Black's attorney. I think to facilitate turning off the cameras, the committee should recess for about 3 minutes so that we can allow that to be done by people in the outside and the people on the outside of the room.

Mr. GEJDENSON. Mr. Chairman, I am not sure as to where the rules are, but the question I have is, should we finish with other legal motions or requests of Mr. Black's attorney, or do the cameras get shut off immediately?

The CHAIRMAN. I think out of fairness to Mr. Black, the cameras should be shut off immediately. It is his right as a subpoenaed witness before this committee.

So I would ask that those who have the capability to turn off the cameras, turn them off now, and we will recess for 3 minutes so the people in the halls can make necessary arrangements.

[After recess.]

The CHAIRMAN. The committee will reconvene.

Mr. Sales, as I understand it, your assertion is, again, what, that the testimony or the hearings would tend to defame your client. What is your reading of the rule again?

Mr. SALE. Mr. Chairman, it is our position that any testimony from Mr. Black, or in fact anything, any testimony in this entire hearing, in the words of the rule, may tend to defame, degrade, or incriminate Mr. Black, and that is why we invoke the House Rule as well as Rule 11(k)(5) of the House Rules and Rule 5(b) of the rules of this committee, and our position is that the entire proceeding would have that effect upon Mr. Black. So our request is that the entire proceeding be executive session.

The CHAIRMAN. I think it is my understanding that the purpose of going into executive session with respect to Mr. Black is so that Mr. Black can take the fifth amendment. There is nothing in taking the fifth amendment that would tend to incriminate, defame or otherwise prejudice Mr. Black. That is his right under the Constitution.

Mr. SALE. Mr. Chairman, I know that that is the law and that no adverse inference should be drawn against Mr. Black from doing that, and that is—and Mr. Black has nothing to hide, but I am afraid that when that is reported, it is not always reported that way, and that is why I think he has a right to do that in private. And I am not even sure that should be stated in public, but that is already done, with all due respect.

The CHAIRMAN. With all due respect, that is the law. That is the law and his constitutional right and that does not prejudice him that. It is a choice that he has under the Constitution to freely assert, and I would deny the request.

Mr. RHODES. Mr. Chairman, I believe that under the rules, if a witness has requested action under clause 2(k)(5) of Rule 11, that requires a formal action on the part of the committee, and therefore I move that pursuant to clause 2(k)(5), Rule 11, and the request of the witness, that the committee receive testimony in executive session.

The CHAIRMAN. The gentleman is correct in placing his motion before the committee.

The question is on the motion by the gentleman from Arizona. All those in favor will say aye. Those opposed, no.

Mr. RHODES. Mr. Chairman, I request a division.

The CHAIRMAN. The division is requested. All those in favor of the motion by the gentleman from Arizona will signify by raising their hands.

Those opposed——

Mr. GEJDENSON. Mr. Chairman, is it necessary to have a quorum for such a vote?

The CHAIRMAN. Yes, it is. On A, no, you don't. But, on the question of going into executive session, it does require a forum.

Mr. GEJDENSON. So what we will now have is a vote for those who want to hear in public the statements by Mr. Black. If those of us who are in favor of that will lose, Mr. Chairman, will we then have an opportunity to try and get a quorum?

The CHAIRMAN. And request a roll call.

Mr. GEJDENSON. Do you want to complete the vote, then?

The CHAIRMAN. The vote is 8 to 5 in favor of the motion by Mr. Rhodes.

Do you want a roll call?

Mr. GEJDENSON. Yes.

The CHAIRMAN. A roll call is demanded. Those in favor of a roll call, please raise your hands. The clerk will call the roll.

Mr. GEJDENSON. Again, Mr. Chairman, a yes is to go——

Mr. YOUNG. We are in the process of having a vote, I believe, and it cannot be discussed until after the vote is taken.

The CHAIRMAN. The gentleman is right.

Mr. YOUNG. Let's get on with the show.

Mr. DEFAZIO. We can get on with the show if we meet in public .

The CHAIRMAN. The clerk will call the names of the Members of the committee. We have to get the clerk.

[After recess.]

The CHAIRMAN. The committee will reconvene, and the roll call has been requested.

Under the rule of the committee, a majority of Members present and voting is required for the purposes of going into executive session. And the clerk will call the roll of the Members.

The CLERK. Mr. Sharp?

[No response.]

The CLERK. Mr. Markey?

[No response.]

The CLERK. Mr. Murphy?

[No response.]

The CLERK. Mr. Rahall?

[No response.]

The CLERK. Mr. Vento?

[No response.]
The CLERK. Mr. Williams?
[No response.]
The CLERK. Ms. Byron?
[No response.]
The CLERK. Mr. De Lugo?
[No response.]
The CLERK. Mr. Gejdenson?
Mr. GEJDENSON. Mr. Gejdenson votes no.
The CLERK. Mr. Kostmayer?
[No response.]
The CLERK. Mr. Lehman?
[No response.]
The CLERK. Mr. Richardson?
Mr. RICHARDSON. No.
The CLERK. Mr. Darden?
[No response.]
The CLERK. Mr. Fuster?
[No response.]
The CLERK. Mr. Levine?
[No response.]
The CLERK. Mr. Owens?
[No response.]
The CLERK. Mr. Lewis?
[No response.]
The CLERK. Mr. Campbell?
[No response.]
The CLERK. Mr. DeFazio?
Mr. DEFAZIO. No.
The CLERK. Mr. Faleomavaega?
[No response.]
The CLERK. Mr. Johnson?
[No response.]
The CLERK. Mr. Schumer?
[No response.]
The CLERK. Mr. Jontz?
Mr. JONTZ. No.
The CLERK. Mr. Hoagland?
[No response.]
The CLERK. Mr. Johnston?
[No response.]
The CLERK. Mr. LaRocco?
[No response.]
The CLERK. Mr. Abercrombie?
[No response.]
The CLERK. Mr. Dooley?
[No response.]
The CLERK. Mr. Young?
Mr. YOUNG. Yes.
The CLERK. Mr. Lagomarsino?
Mr. LAGOMARSINO. Aye.
The CLERK. Mr. Marlenee?
[No response.]
The CLERK. Mr. Hansen?

[No response.]
The CLERK. Ms. Vucanovich?
Ms. VUCANOVICH. Yes.
The CLERK. Mr. Blaz?
Mr. BLAZ. Yes.
The CLERK. Mr. Rhodes?
Mr. RHODES. Aye.
The CLERK. Mr. Gallegly?
[No response.]
The CLERK. Mr. Smith?
[No response.]
The CLERK. Mr. Thomas?
[No response.]
The CLERK. Mr. Duncan?
[No response.]
The CLERK. Mr. Shulze?
[No response.]
The CLERK. Mr. Hefley?
Mr. HEFLEY. Aye.
The CLERK. Mr. Taylor?
Mr. TAYLOR. Aye.
The CLERK. Mr. Doolittle?
[No response.]
The CLERK. Mr. Allard?
Mr. ALLARD. Aye.
The CLERK. Mr. Baker?
[No response.]
The CLERK. Mr. Miller?
The CHAIRMAN. No.
The clerk will announce the vote.
The CLERK. The vote is five nays, eight ayes.
The CHAIRMAN. The vote is eight in the affirmative of going into executive session, no in the negative, and the committee will recess for the purposes of going into executive session at the call of the chair.
Mr. GEJDENSON. Mr. Chairman——
The CHAIRMAN. And with that we will ask that the room be cleared.
Mr. GEJDENSON. The committee is going into executive session to discuss the issue at hand; is that correct?
The CHAIRMAN. Seeing as how everyone is frozen in place, could we ask that the committee staff start to clear the room?
[Recess.]

ALYESKA PIPELINE SERVICE COMPANY COVERT OPERATION

TUESDAY, NOVEMBER 5, 1991

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 9:45 a.m. in room 2226, Rayburn House Office Building, Hon. George Miller (chairman of the committee) presiding.

The CHAIRMAN. The Committee on Interior and Insular Affairs will come to order for purposes of continuing our oversight hearing on the Alyeska Pipeline Service Company's covert operations.

Is there any statement anybody would like to make?

Mr. YOUNG. Mr. Chairman, I would like to again welcome all the witnesses and the patience of this audience that were excluded from these hearings yesterday. There is some confusion about the committee's action. Let me say the committee is obligated under the rules to consider requests by the witnesses, and I think the chairman has spoken very clearly on this.

The consideration we gave to such requests should include whether or not there has been allegations of wrongdoing and fairness of the process. Since there had been allegations in the print and electronic media about Mr. Black and Mr. Lund, we felt it was their right to a fair trial and under the Constitution it should be protected.

I am sure all the members of the audience would appreciate the same respect for their rights if they were in a similar situation. We must not lose sight of the fact we seek to get to the bottom of this matter. We must not forget that. We are after all sworn to uphold the Constitution and I believe this committee has done that.

I know it was inconvenient for many of the witnesses who waited to be on the panel today, but yesterday we were also faced with the problem of having to vote about every 10 minutes on some frivolous dead bill anyway. It shows how this system works. I do apologize for that delay, but we are here today, we have all day and let's get on with the testimony.

The CHAIRMAN. Any statement from other Members of the committee?

If not our first witness this morning is Mr. George Wackenhut, who is chairman and CEO of The Wackenhut Company out of Coral Gables.

Mr. Wackenhut, if you will come forward, please.

It is the practice, Mr. Wackenhut, of this committee to swear all witnesses who appear before it at investigative hearings. Do you have any objection to being sworn?

Mr. WACKENHUT. None whatsoever, sir.

[Witness sworn.]

The CHAIRMAN. Thank you.

In order to inform you of your rights as a witness before the committee and the limitations of the authority of the committee, the Rules of the House of Representatives and the committee are on the table in front of you.

Both sets of rules have previously been provided to you. You are advised of your right to counsel. The role of counsel would be to advise you of your constitutional rights if you desire to be represented by counsel.

Mr. WACKENHUT. Yes, my attorney is right here with me.

The CHAIRMAN. If you would identify yourself.

Mr. BALDWIN. Thank you, Mr. Chairman. My name is Greg Baldwin. I am an attorney with the law firm of Holland & Knight.

The CHAIRMAN. Thank you. Mr. Wackenhut, go ahead and proceed with your statement.

STATEMENT OF GEORGE WACKENHUT, CHAIRMAN AND CEO, THE WACKENHUT COMPANY, CORAL GABLES, FLORIDA

Mr. WACKENHUT. Good morning Mr. Chairman, Congressman Young and Members of the committee.

I am George Wackenhut, chairman of the board and chief executive officer of The Wackenhut Company. Mr. Chairman, last Wednesday I delivered to you copies of three documents. I would like now to have them formally entered into the record.

They are: The 1990 Annual Report of the Wackenhut Company, the resolution passed by the board of directors on Monday, October 28, 1991, and a statement of policy adopted several years ago setting forth ethical and moral standards for the conduct of business by the company. [See pages 342–395.] I would like also to preserve the right to supplement the record at a later date.

The CHAIRMAN. Without objection, the documents you referred to will be entered into the record. The hearing record will be held open for a specified period of time, but that has not yet been determined.

Mr. WACKENHUT. Thank you.

Mr. Chairman, I filed in advance a detailed statement which contains information I would very much like the committee to consider. While I will not repeat here what I said there, I specifically want today to emphasize three topics: First, your committee staff indicated to us that they believe that top management in Wackenhut did not approach this committee's investigation with the appropriate degree of seriousness.

Approximately 8 weeks ago, in response to this committee's request for information and a consequent reporting by numerous newspapers on our alleged corporate activities, Wackenhut engaged outside counsel to conduct a full internal review and report on the 1990 investigatory events.

Our attorneys rapidly assembled a team of eight lawyers with at least three lawyers working full time to conduct an investigation of the entire engagement. In less than 2 weeks after the pertinent material became available to them, our attorneys digested a massive amount of information in an effort promptly to respond to this committee's inquiries and ultimately to produce a preliminary report thereon to our management.

That effort, while ongoing, is now substantially complete.

Personally, Mr. Chairman, since receipt of your August 7 letter, all my concentration, as well as the valuable resources and efforts of my employees, has been focused on this hearing. I am consumed with the magnitude of this process and unquestionably it has had my full attention. I have very much taken your inquiry seriously.

The board of directors of The Wackenhut Company, the weekend before last, received a preliminary report by our outside counsel. Their reaction, too, was solemn and concerned. Indeed the board of directors spent more time on this particular matter than they have on any other matter and any other business concern in the 37-year history of the company.

A brief review of what The Wackenhut Company has done between August 7 and the present puts its delay and silence into a perspective which I believe will demonstrate that Wackenhut has taken this committee and its investigation very seriously indeed. The prompt production of documents relevant to The Wackenhut Company's 1990 investigation conducted on behalf of Alyeska was not easy.

On April 16, 1991, almost 4 months prior to this committee's request, Alyeska requested us to deliver to the law firm of Paul, Hastings, Janofsky & Walker in Los Angeles the investigative file and materials that The Wackenhut Company produced or collected during the 1990 investigation.

We complied with Alyeska's request after they agreed to maintain these records for a period of 10 years and make them available to us for legitimate inquiries. That agreement with Alyeska delayed us in providing that privileged documentation sooner to this committee. Our own internal investigation of this matter has been delayed, too.

Alyeska authorized The Wackenhut Company on October 1, 1991, to release information fully to comply with this committee's request for documents. Alyeska then promptly delivered back to Wackenhut copies of some of the documents we had originally sent to the law firm in Los Angeles.

For the first time, The Wackenhut Company was in a position, practically speaking, to provide the requested materials to this committee and 3 days later—specifically on October 4, 1991—we produced every document we could find in response to the congressional subpoena.

In addition to the management of Wackenhut requesting our outside legal counsel to review every facet of the investigation, the board of directors of Wackenhut also has itself established an independent board/committee which will—separate and apart from the management review I instituted—fully review to its own satisfaction all the claims and allegations raised relating to the Alyeska investigation.

This independent board/committee will then present a recommendation to the full board of directors specifically stating what, if any, remedial actions are necessary.

Second, the methods of undercover surveillance used by Wackenhut in the 1990 investigation are traditional and standard investigative techniques commonly used in private investigations. Information was obtained throughout the investigation using video and audio surveillance to tape meetings and telephone conversations in Virginia between Mr. Charles Hamel and our investigators.

Wackenhut knew that the only task was to identify the source of the Alyeska corporate documents in his possession in a manner that would permit the initiation of litigation against those persons responsible.

It was obvious that any illegal conduct by us would be counterproductive when the evidence and documents produced were ultimately to be turned over to a court.

Again, the purpose of this investigation, as far as Wackenhut was concerned, was only to identify the persons stealing documents and information from Alyeska so that an appropriate criminal and civil action could be brought against those persons. To that end, they carefully sought out and received legal counsel to preserve the integrity of the investigation.

Third, Mr. Chairman, contrary to reports, let me categorically state that Wackenhut did not conduct a covert investigation of you, your staff, any Member of your committee, or any other Member of Congress. I personally believe that any statement or inference to the contrary is absolutely false. I am convinced that it did not happen.

My outside lawyers advise me they would wholly agree. The only inquiry about any Congressman conducted by Wackenhut in the Alyeska investigation was confined to a single trip to the public library.

Based upon the information given to me by our outside law firm, it is indisputable that on May 16, 1990, Mr. Hamel admitted to the investigators that he was receiving documents belonging to Alyeska. It was only from Charles Hamel that our investigators frequently heard the name George Miller.

Mr. Hamel said then that he and George Miller intended to set up the president of Alyeska, James Hermiller, at a hearing scheduled before this committee. Once Mr. Hamel first mentioned a Member of Congress, Wayne Black immediately and properly sought legal advice from a prominent Miami attorney, William Richey.

Mr. Richey, as I understand it, will testify later today, but it is my further understanding that he unfailingly advised our investigators on the legality of each of their investigatory activities.

After I received the letter of August 7 from the committee, I got great satisfaction from a visit I had with Mr. Richey in which he told me that he knew of no illegality connected with the investigation and that I should be proud of the Wackenhut investigators, "who had conducted as fine an investigation as he has ever seen." Among Mr. Richey's firm advice to our investigators was not to in any way investigate a Congressman.

I am sure he will reaffirm that advice. Suffice it to say, the only action taken by Wackenhut to investigate George Miller after receiving that instruction was for Mr. Richey to look up information in a library at his request. That was the beginning and that was the end of Wackenhut's investigation of any Congressman.

When Wackenhut began the investigation, Alyeska told Wackenhut that corporate sensitive documents were being taken from Alyeska and that the minutes of secret internal Alyeska meetings were being leaked to the press and others. Our assignment was to determine who appropriated the documents from within Alyeska's corporate offices.

It is now absolutely clear that the name of Charles Hamel surfaced at the very beginning of the investigation as a top operative in the receipt of the stolen documents.

Our recent review efforts have clearly affirmed to us that at no time during the course of our investigation was any Member of Congress under surveillance, visually or telephonically, or was any Member of Congress being investigated in any other way, shape or fashion.

At no time was the telephone of any Member of Congress ever tapped. I am and always have been very disturbed about the concerns raised by this committee. However, I believe that many people have grossly exaggerated our conduct and the facts of the investigation.

Be assured Wackenhut will continue to scrutinize its investigators' conduct and methods of operations during the entire 1990 investigation until all legitimate future concerns are satisfactorily and permanently resolved.

The reputation developed by this company throughout the Nation during the past 37 years demands no less. It is my purpose to do all that is needed to keep that reputation unblemished.

Gentlemen, thank you for this opportunity to address this committee. I now stand ready to take questions.

[Prepared statement of Mr. Wackenhut follows:]

GEORGE R. WACKENHUT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
THE WACKENHUT CORPORATION
CORAL GABLES, FLORIDA

Good morning Mr. Chairman and Members of the Committee. I am George R. Wackenhut, founder, Chairman of the Board, and Chief Executive Officer of The Wackenhut Corporation, headquartered in Coral Gables, Florida. Prior to establishment of the corporation 37 years ago, I was a Special Agent with the Federal Bureau of Investigation. The Wackenhut Corporation has grown into one of the world's largest total security services firms with over $500 million in sales in 1990. We are a publicly traded corporation on the New York Stock Exchange, and currently employ over 45,000 dedicated employees. The Wackenhut Corporation maintains over 150 offices and facilities throughout the United States, including 34 states and the District of Columbia, and has operations in Canada, the United Kingdom, Western Europe, Australia, Africa, the Middle East, the Far East, Central and South America and the Caribbean.

The Wackenhut Corporation is divided into three distinct operating groups: Domestic Operations Group; Government Services Group; International Operations Group. Cumulatively, they provide total security systems and services to business, industry, professional clients, and to various agencies of the U.S. Government. These services include uniformed guards, systems engineering and design, investigations, executive protection, support services, crisis management, and loss prevention surveys, just to name a few. Of primary importance to the committee this morning is the conduct and operations of our

Domestic Operations Group upon which I shall now focus my attention.

One of our clients in the Domestic Operations Group is Alyeska Pipeline Services Company. We are under contract with Alyeska to protect the 800 mile long Trans-Alaska Pipeline and two north slope oil fields in Alaska. This contractual relationship has existed for over 17 years, and we are justifiably proud of our unblemished record of service over that period of time.

Wackenhut has worked long and diligently to cultivate and preserve our reputation of integrity and professionalism with all of our clients, including Alyeska. Wackenhut, however, would not jeopardize its good corporate name for any client or investigation.

When Domestic Operations was asked to conduct an investigation to determine how Alyeska documents and information were being obtained and transferred to unauthorized persons, Wackenhut felt a certain obligation to comply. Senior Wackenhut management delegated responsibility of the case to its Special Investigations Division.

The Special Investigations Division, a unit of the Domestic Operations Group, was created in late 1989 to fill a critical role in the total security services program. It was created for two very important reasons. First, because of the well publicized and documented rise in commercial and industrial espionage, and second, because current and prospective clients

were asking for assistance with covert operations, a new dimension in security protection services. The Alyeska investigation, begun in March 1990, was to be the Special Investigations Division's first major investigative case. The Special Investigations Division is not yet economically significant for The Wackenhut Corporation -- specifically, the revenue generated by the Alyeska investigation was about $288,000, which comprised less than one-fifth of one percent of Wackenhut's entire gross revenues for the year 1990.

We formed the Special Investigations Division by our acquisition of a private investigative firm owned by Wayne Black ("Black"), and he was put in charge of this new Division. Black had long and extensive experience in handling confidential undercover investigations. Black started his career as a police officer in the Dade County Sheriff's Department and later worked as an investigator for the State Attorney's Office in Miami. Throughout his career, he also gained extensive experience in conducting and supervising investigations. Black selected as his chief assistant an experienced investigator, Rick Lund ("Lund"). Lund is a former police detective and currently teaches special courses on investigative techniques to U.S. Government agents.

Black was placed in charge of the day-to-day operations of the Alyeska investigation. His immediate supervisor was Mr. Alan Bernstein, Executive Vice President - Domestic Operations. As this was a new program for us, we relied heavily on Black's experience and expertise in operating an undercover operation.

Without going into great detail about the investigation itself, Mr. Chairman, I would like to take my remaining time specifically to address three topics that are of the utmost concern to you and to Wackenhut.

FIRST:

Mr. Chairman, contrary to media reports, let me categorically state that Wackenhut did not conduct a covert investigation of you, your staff, any member of your Committee or any other Member of Congress. Any statement or inference to the contrary is false. It did not happen.

The only investigation conducted of any congressman was confined to a single trip to the public library.

Black was following a trail of stolen documents and that trail led directly to Charles Hamel. On May 16, Hamel admitted to the investigators that he was receiving documents stolen from Alyeska. It was from Charles Hamel that the investigators first, and frequently, heard the name George Miller. Hamel said that he and Chairman Miller intended to "set-up" the president of Alyeska, James Hermiller, at a hearing scheduled before this Committee. Hamel claimed he would supply Chairman Miller with information from stolen Alyeska documents so that Chairman Miller would be asking questions to which he already knew the answers based upon the stolen Alyeska documents. Once Hamel mentioned a Member of Congress, Black immediately sought legal advice from a prominent Miami attorney, William Richey.

On May 17, Richey advised Black against pursuing any investigation of a congressman, and asked Black to find out who Congressman George Miller is so that he could have some context into which to place Hamel's claims. On the following day, May 18, Black drafted a memo to Ricki Jacobsen, a Wackenhut investigator, requesting her to review various public records to learn about Congressman Miller and his Committee. Jacobsen went to the Dade County Public Library on Monday, May 21, copied the information available and gave it to Richey. While these actions may be considered investigative, they were pursued in response to a request from the attorneys to identify Congressman Miller and were confined to publicly available resources.

That was the beginning and end of Wackenhut's investigation of any congressman.

When Wackenhut began the investigation, Alyeska told us only that corporate-sensitive documents were being taken from Alyeska, and that the minutes of secret internal Alyeska meetings were being leaked to the press and others. Our charter was to determine who appropriated the documents from within Alyeska's corporate offices. From the very beginning of the operation, the name of Charles Hamel surfaced as a top operative in the transmission of the stolen documents. As soon as Hamel mentioned your name, the investigator went to a lawyer.

There was a postscript to this decision reached between Wackenhut investigators and Mr. Richey. If at any time George Miller or any Member of Congress were ever to meet fact-to-face,

or by telephone, the Wackenhut investigator would immediately introduce himself to the Member and explain the investigation. At no time during the course of our investigation was any Member of Congress under surveillance, visually or telephonically, or being investigated in any other way, shape or fashion. At no time were the telephones of any Member of Congress ever tapped.

SECOND:

The methods of undercover surveillance used by Wackenhut employees in the 1990 investigation are traditional and standard techniques commonly used in the significant private investigations. Information was obtained throughout the investigation using video and audio surveillance to tape record meetings and telephone conversations in Virginia between Mr. Hamel and our investigators. Wackenhut investigators knew that their principal task was to identify the source of the stolen corporate documents in a manner that would permit the initiation of litigation against those persons responsible for stealing documents from Alyeska. Black and Lund always knew and acknowledged that any illegal conduct by them would be counterproductive if the evidence and documents produced were ultimately turned over to a court.

The sole purpose of this investigation, as far as we were concerned, was to identify the persons stealing documents and information from Alyeska and to bring the appropriate criminal and civil action against those persons.

Given the fact that the purpose of the investigation was to bring the perpetrators to justice, it is only common sense that the investigators would consistently strive to operate within the law. Indeed, their actions demonstrate this. They carefully sought out and received legal counsel to preserve the integrity of the investigation.

THIRD:

Your Committee staff indicated that they believe Wackenhut top management in Florida did not approach your investigation with the appropriate degree of seriousness.

A brief review of what The Wackenhut Corporation has done between August 7 and the present will put its enforced silence into a perspective which will demonstrate that The Wackenhut Corporation has taken this Committee and its investigation very seriously indeed.

Let me say quite candidly, Mr. Chairman, this is the first time any Wackenhut operation, or any Wackenhut executive has been investigated by a congressional committee. The first time that I became aware of any questions about the conduct and findings of our investigation occurred when I received your letter of August 7 requesting information and documentation on the Alyeska investigation.

The August 7 letter requested the production of documents relevant to The Wackenhut Corporation's 1990 investigation conducted on behalf of Alyeska. On April 16, 1991, almost four

months prior to this Committee's request and pursuant to Alyeska's written request, we delivered pursuant to Alyeska's written request, to the law firm of Paul, Hastings, Janofsky & Walker in Los Angeles, the investigative file and materials that The Wackenhut Corporation produced or collected during the 1990 investigation. Again, I emphasize this was done at Alyeska's demand. We had been specifically instructed not to keep any copies of those materials.

Moreover, a Florida law and our contractual obligation to Alyeska required us to maintain strict confidentiality on this matter. We were hindered from discussing our activities or providing privileged documentation to this Committee until we received a limited waiver of the confidentiality privilege from Alyeska.

Thus, in addition to the constraints of our legal and contractual obligations, we were physically unable to respond to Chairman Miller's August 7th request because we had complied with our client's earlier request and sent all the identified documentation to the law firm in Los Angeles. Our own internal investigation of this matter has suffered as a result of our exportation of essentially all of those materials and consequently, the delay in their return to us.

In response to our repeated requests, Alyeska authorized The Wackenhut Corporation on October 1, 1991, to release information to comply with this Committee's request for documents. Alyeska then delivered back to The Wackenhut Corporation copies of some

of the documents that we had originally sent to the law firm in Los Angeles. Finally, The Wackenhut Corporation was in a position, both legally and practically speaking, to provide material to this Committee and two days later, on October 4, 1991, we produced every document we could find in response to the congressional subpoena.

Finally, in any large corporation of 45,000 employees like Wackenhut, it is extremely difficult to be intimately involved with everything that is ongoing at any given moment. Wackenhut has retained an outside law firm to review every facet of the investigation. Also, the Board of Directors of Wackenhut has established an independent board committee which will fully review all the allegations of wrongdoing. This independent board committee will present a recommendation to the full Board of Directors, whether to consider necessary remedial actions and corrective policy decisions, if warranted.

I am very disturbed about the concerns raised by this Committee. However, I believe these allegations have been grossly exaggerated. Nevertheless, we will continue to scrutinize our conduct and methods of operations during the 1990 investigation until all legitimate concerns are satisfactorily resolved.

I now stand ready to take questions.

The CHAIRMAN. Thank you, Mr. Wackenhut, very much for your testimony.

Let me ask you a couple of questions. As I understand it from your testimony, your company is divided into three divisions; is that correct? You have an international division, a domestic division and a governmental operations division?

Mr. WACKENHUT. Yes, sir, three operating units. Right.

The CHAIRMAN. And you have other programs—you have the silent witness program, the special investigations division. They do work for whom?

Mr. WACKENHUT. They report to the operations group.

The CHAIRMAN. So they work for the international division, the domestic division, the governmental division?

Mr. WACKENHUT. They work just for the operations group, the domestic operations group.

The CHAIRMAN. Domestic operations group. They do not do work for the other two?

Mr. WACKENHUT. Not generally, sir.

The CHAIRMAN. Well, do they sometimes?

Mr. WACKENHUT. You mentioned silent witness and what was the other?

The CHAIRMAN. And special investigative.

Mr. WACKENHUT. No, they are strictly domestic operations.

The CHAIRMAN. So they do not do work for those other two?

Mr. WACKENHUT. No, sir.

The CHAIRMAN. This contract came to you, how, for the Alyeska surveillance?

Mr. WACKENHUT. The director of security for Alyeska approached Mr. Bernstein, our executive vice-president, when he was in Alaska last winter, winter before last, the winter of 1990 and explained to him they were having this problem with loss of documents.

Did we have the capability to do an investigation for him? He stated that we had recently hired Mr. Black and he had set up this special investigations group and he thought we did have that capability.

The CHAIRMAN. Was this the first contract for the special investigative unit?

Mr. WACKENHUT. No, certainly not the first. There had been many investigations conducted prior to that time.

The CHAIRMAN. How many investigations?

Mr. WACKENHUT. I would have no way to know, sir.

The CHAIRMAN. How long had the unit been in existence?

Mr. WACKENHUT. I think we started it in November 1989. So, it was in operation about 3 or 4 months at that point in time.

The CHAIRMAN. Would this investigation, as you have characterized it, be characteristic of the investigations in the special investigative division?

Mr. WACKENHUT. I wouldn't categorize it as ordinary. It was certainly above that. It was a special, special investigation, but——

The CHAIRMAN. Why was this a special, special investigation?

Mr. WACKENHUT. A very long and valued client of ours, Alyeska, had asked us to conduct it and we wanted to do it to the very best of our ability.

The CHAIRMAN. You do other work for Alyeska; is that correct?

Mr. WACKENHUT. Yes, sir. We have the security on the pipeline.

The CHAIRMAN. That is under what company?

Mr. WACKENHUT. That is under a company, subsidiary known as American Guard & Alert, wholly owned subsidiary of Wackenhut.

The CHAIRMAN. They provide what services to Alyeska?

Mr. WACKENHUT. Security and safety, primarily. We run helicopters over the pipeline looking for leaks or anybody that would be in the area that shouldn't be there, and that sort of thing, plus guards at the pump stations and guards up at Prudhoe Bay.

The CHAIRMAN. So is it beyond the pipeline? Do you also take care of the facilities at Prudhoe Bay and the Alyeska terminal?

Mr. WACKENHUT. Yes, there is a separate contract up there as well.

The CHAIRMAN. Is this a big chunk of business for the company, the Alyeska and Alaska-related services?

Mr. WACKENHUT. Yes, sir, it is.

The CHAIRMAN. Do you do work for the constituency companies of Alyeska? Do you do work for Exxon, British Petroleum, Chevron and Arco and others?

Mr. WACKENHUT. Not to my knowledge, sir. We had a contract with Exxon years ago at their headquarters building in New York. I don't believe we are doing any work for them now at all.

The CHAIRMAN. And the other companies?

Mr. WACKENHUT. Not to my knowledge.

The CHAIRMAN. You have no other contracts with them for refineries or securities anywhere else in the country?

Mr. WACKENHUT. We could have, but I am not knowledgeable about it at this time. I can get that information to you.

The CHAIRMAN. Would you provide that for the record, please?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. What is the size of the work you do for Alyeska in relationship to your revenues? What is this in terms of revenues to the company, percentagewise?

Mr. WACKENHUT. I am not quick enough on my feet to give you a percentage at this point in time, but I believe it runs $15 or $16 million a year out of a total volume this year of about $560 million.

The CHAIRMAN. $560 million is for all of Wackenhut or for domestic operations?

Mr. WACKENHUT. No, for the entire corporation.

The CHAIRMAN. What would this revenue be out of domestic?

Mr. WACKENHUT. I will have to get that for you.

The CHAIRMAN. Thank you.

This contract was executed by Alyeska asking Mr. Bernstein whether or not they could provide these services; is that correct?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. Is Mr. Bernstein an attorney?

Mr. WACKENHUT. No, he is not.

The CHAIRMAN. Does he have experience in conducting covert activities?

Mr. WACKENHUT. Well, he is in charge of all our domestic operations, and I would think I would have to say yes. He was not an investigator before coming with us.

The CHAIRMAN. Who contacted him? Was it Mr. Wellington or Mr. Hermiller?

Mr. WACKENHUT. Yes, Mr. Pat Wellington is the gentleman that contacted Mr. Bernstein.

The CHAIRMAN. He referred him to Mr. Black; is that correct?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. He is head of your——

Mr. WACKENHUT. Special investigations.

The CHAIRMAN. He became the head of your special investigative unit how?

Mr. WACKENHUT. He was brought to my attention—to my attention by one of our other vice-presidents, stating that Mr. Black had exhibited an interest to him to join our company because he had the investigative techniques and he had that experience, and that he could—we like to call them heavy investigations as opposed to the investigative group that we had working, which were doing basically background investigations for preemployment purposes.

So I had been interested in having a man of that capability with the organization, so we got together and he brought what business he had with him and he was put on the payroll and we started from there.

The CHAIRMAN. What business did he bring with him?

Mr. WACKENHUT. Clients that he had. Attorneys mostly, some insurance companies.

The CHAIRMAN. When you say heavy investigations, this was considered a new endeavor for you, for the company?

Mr. WACKENHUT. It wasn't a new endeavor, but we really didn't have the personnel aboard at that point in time to do the type of investigations that Mr. Black was capable of doing.

The CHAIRMAN. Were there competing individuals for this position?

Mr. WACKENHUT. There were other people in our regular investigative division, but in my opinion, I didn't feel they had the capabilities.

The CHAIRMAN. Were there competing people from outside? Did you look at other firms? You bought Mr. Black's firm, essentially, right?

Mr. WACKENHUT. We didn't really buy it, he just joined us. There was no money exchanged.

The CHAIRMAN. There was no money exchanged?

Mr. WACKENHUT. No, sir.

The CHAIRMAN. Is Mr. Black an attorney to your knowledge, do you know?

Mr. WACKENHUT. No, he is not.

The CHAIRMAN. Does he is have a Ph.D., to your knowledge?

Mr. WACKENHUT. Not to my knowledge.

The CHAIRMAN. Is he licensed to engage in private investigation work in other States outside of Florida, to your knowledge?

Mr. WACKENHUT. To my knowledge, only Florida.

The CHAIRMAN. Only Florida. So to your knowledge he is not licensed to engage in private investigative work in Virginia or the District of Columbia?

Mr. WACKENHUT. Not to my knowledge, sir.

The CHAIRMAN. When Mr. Black came onboard with Alyeska, did he enter into an employment contract with The Wackenhut Company?

Mr. WACKENHUT. You mean with Mr. Black?

The CHAIRMAN. Yes. Did you enter into an employment contract?

Mr. WACKENHUT. He went through the ordinary human resources procedures, but I don't have that information. I am not on top of everybody who gets hired as to what they go through.

The CHAIRMAN. I would respectfully suggest this might not be "everybody who gets hired." This is a man who is going to run essentially a new division within Wackenhut, one that you highlight in your annual report and elsewhere as a special service of Wackenhut.

Mr. WACKENHUT. I am referring to the fact I don't know what personnel and human resources procedures he went through. I can get that for you.

The CHAIRMAN. You don't know the terms and conditions of Wackenhut bringing Mr. Black onboard?

Mr. WACKENHUT. I know what we offered to pay him and he was going to go to work for us.

The CHAIRMAN. You don't know whether you entered into an employment contract with him beyond what any person coming onboard might have, with the right to leave or not leave or what have you?

Mr. WACKENHUT. I am reasonably sure we have no contract with him. He probably signed a covenant not to compete which is normal, but I am not sure of that. But we can get that information for you.

The CHAIRMAN. How was Mr. Black given his charter with respect to this investigation? That would be given to him by whom?

Mr. WACKENHUT. Actually he reported to Mr. Bernstein, the executive vice-president of domestic operations, but he knew what he needed to do. The charter was given to him, if you want to call it that, by Mr. Wellington. He told him exactly what we wanted to find out, what he wanted to find out, and he went about attempting to do that.

The CHAIRMAN. In your view, was this investigation directed by Wackenhut Company or was this investigation directed by Alyeska?

Mr. WACKENHUT. By Wackenhut. We kept Alyeska apprised throughout the entire investigation as to what we were finding or not finding and so forth.

The CHAIRMAN. So is there a supervisor for Mr. Black in this operation?

Mr. WACKENHUT. Yes, Mr. Bernstein.

The CHAIRMAN. Mr. Bernstein would be in the chain of command supervising this.

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. Thank you.

Mr. Young.

Mr. YOUNG. I have no questions.

The CHAIRMAN. Mr. Gejdenson.

Mr. GEJDENSON. Did you discuss with Mr. Black and Mr. Lund the nature of their response to this committee when they were to be questioned?

Mr. WACKENHUT. No, sir, I didn't, because they had already hired their own attorneys and from that point on I have not been in discussion with them at all.

Mr. GEJDENSON. Prior to Mr. Black and Mr. Lund did you sit down and review what happened in this investigation?

Mr. WACKENHUT. No, sir.

Mr. GEJDENSON. So at no time did you ever go to your—these are two of your top employees, Mr. Black and Mr. Lund?

Mr. WACKENHUT. No, they are not, sir.

Mr. GEJDENSON. Where do they fit in the chain of command?

Mr. WACKENHUT. Black heads the special investigative division.

Mr. GEJDENSON. Black heads what?

Mr. WACKENHUT. The special investigative division, which reports to Mr. Bernstein, who reports to my son, Rick Wackenhut, who is the president and chief operating officer, who in turn reports to me.

Mr. GEJDENSON. Mr. Lund, where does he fit in the organization?

Mr. WACKENHUT. He is a contract employee who is brought in by Mr. Black when he needs his services.

Mr. GEJDENSON. And did Mr. Black or Mr. Lund go through a review of the investigation with your son then?

Mr. WACKENHUT. Went through it with Mr. Bernstein, went through it on a number of occasions with the head of security for Alyeska.

Mr. GEJDENSON. At no time did Mr. Black or Mr. Lund directly review with you what happened in this entire investigation?

Mr. WACKENHUT. That is correct.

Mr. GEJDENSON. Did Mr. Bernstein review with you what happened during this investigation?

Mr. WACKENHUT. Mr. Bernstein went to my son and the two of them came to me on one or two occasions when there were some things happening that they thought deserved my attention.

Mr. GEJDENSON. What were those issues they brought to your attention?

Mr. WACKENHUT. The first one was when Mr. Hamel had stated that he was very close to Mr. Miller and the congressman seemed to be entering into the picture. And I wanted to be sure we were absolutely straight on that. I asked if they had contacted the attorney, and they said that they had.

And the other time—the other time had to do with alleged by—alleged by Mr. Hamel the dumping of pollutants into the oceans and we wanted to be sure, if in fact his allegations were accurate, whether we had any reporting responsibility to anyone. The attorneys advised us we did not.

Mr. GEJDENSON. And people like Mr. Black and Mr. Lund, do they do daily reports of their activities when they are on a case?

Mr. WACKENHUT. It is my understanding they do, yes, sir.

Mr. GEJDENSON. And so you are telling us, that Mr. Bernstein—would he review those occasionally or on a daily basis?

Mr. WACKENHUT. I don't think he had the occasion to review them. He may have done some of that. He is in a better position to answer that than I am.

Mr. GEJDENSON. And your company, as a regular course of business, records people's telephone calls?

Mr. WACKENHUT. In regular course of business?

Mr. GEJDENSON. In an investigation it would not be irregular for you to record a telephone call—record people who you are surveilling their telephone calls.

Mr. WACKENHUT. It depends on its location. It depends on the type of investigation. It is an investigative technique.

Mr. GEJDENSON. You do do it?

Mr. WACKENHUT. It has been done. It was done in this case.

Mr. GEJDENSON. Are there guidelines from your company on following the laws of the State and country you are operating in?

Mr. WACKENHUT. Yes. All through this case, we were being advised by an attorney, as you will learn, and we have our own in-house counsel, and any questions that arise, we do go to them.

Mr. GEJDENSON. In taking people's mail, is there a legal way to open somebody's mail? If it's sealed and hasn't been delivered to his house?

Mr. WACKENHUT. Well, I am not an attorney. I would have to guess it is not proper to open somebody's mail, but you are getting at a question—if you ask me the question, I will try to give you an answer, sir.

Mr. GEJDENSON. OK. Does your company have rules against its employees opening mail that has been sent through the Federal mails?

Mr. WACKENHUT. The rules of this company are that they do everything in a legal manner, legal and ethical.

Mr. GEJDENSON. So you have some instruction that tells your people not to open mail because it is illegal?

Mr. WACKENHUT. Nothing that specific. It is a broad statement.

Mr. GEJDENSON. Are you aware that any of your employees intercepted mail to Mr. Hamel?

Mr. WACKENHUT. You ask me, am I aware of that?

Mr. GEJDENSON. Yes, sir.

Mr. WACKENHUT. Not of that, no, sir.

Mr. GEJDENSON. To your knowledge no one in your company opened Mr. Hamel's mail?

Mr. WACKENHUT. To my knowledge, that is right, sir.

Mr. GEJDENSON. Did they ever take documents from his premises?

Mr. WACKENHUT. I understand that they did during the course of the investigation to show Alyeska the type of documents that were being stolen from the company.

Mr. GEJDENSON. Is it legal to take documents from Mr. Hamel's residence?

Mr. WACKENHUT. I would certainly think, sir, that you can take back property that belongs to you. We were the agents for Alyeska and that property belonged to them. If somebody stole my bicycle, and I found it in a person's garage, I'd sure take it back, sir.

Mr. GEJDENSON. I can go to your office, and if I decide some of the things in your office were mine, it is not necessary to call the

police. I can decide these are mine, and without telling you, I can just take them. Is that your conclusion?

If I walked into your office and saw some letters on your desk, a pile of letters that I thought were mine, I would have a right without court order, without going to the police, just to pick out the ones I thought were mine and take them?

Mr. WACKENHUT. If they were addressed to you, had the letterhead with your name on it, I think so, yes.

Mr. GEJDENSON. And your investigators are told they have a legal right to do that by your company?

Mr. WACKENHUT. Investigators are not told by our company what they have a legal right to do until a situation develops and they go to the attorneys and get the answer.

Mr. GEJDENSON. What you do is hire somebody, you make them an investigator, and you say, we want you to stay within the framework of the law—go at it?

Mr. WACKENHUT. If we were going to do more than that, we would need something greater than the encyclopedia Brittanica to get it all in there. You can't address every instance.

Mr. GEJDENSON. For instance, we were told—I think this part is public because, although the meeting was in secret, the testimony of the witnesses are public, you would hire a real estate agent, send that person to Alaska to do work for the company, and you would give them no guidance. You wouldn't first sit down with some program and say, here is what you can do and here is what you can't do?

Mr. WACKENHUT. I wouldn't know what they could do or couldn't do until the situation arose, but remember, sir, Mr. Black's background was such that he was very well experienced in this type of activity.

Mr. GEJDENSON. Let me ask one last question again. Are any of your employees licensed in Virginia?

Mr. WACKENHUT. We have, I think, four separate licenses in Virginia with the four offices we have here.

Mr. GEJDENSON. And so in the case of taking items from the home of Mr. Hamel, did you use those licensed agents? Did they run this operation?

Mr. WACKENHUT. They were—it was done by Mr. Black.

Mr. GEJDENSON. He was not licensed in Virginia?

Mr. WACKENHUT. We thought he was.

Mr. GEJDENSON. Is he licensed in Virginia?

Mr. WACKENHUT. As far as a specific license, no, we didn't think he needed one.

Mr. GEJDENSON. So it is your opinion is that this corporation—what is your gross a year?

Mr. WACKENHUT. This year will be between $560 and $570 million.

Mr. GEJDENSON. So this $½ billion company sends somebody up to Virginia to take things from Mr. Hamel's home, and you thought it was OK, and that is as far as you felt you had to go.

Mr. WACKENHUT. I think that is a rather trite statement, sir.

Mr. GEJDENSON. I think your answers are, you know, not really getting to the issue here.

Mr. WACKENHUT. I am getting to the issue. I am chairman of the board. I am not going down to an investigator and tell him how to do an investigative case, particularly when he is experienced.

Mr. GEJDENSON. It seems to me if it is my $½ billion corporation, and if I was worried about staying within the law, I would have a process that made sure that people who weren't trained, who didn't have licenses, weren't allowed to run loose around the country.

Mr. WACKENHUT. He is trained, sir, that is the point. He is exceptionally well trained.

Mr. GEJDENSON. But not licensed?

Mr. WACKENHUT. Specifically by name in Virginia, Mr. Black is not licensed.

The CHAIRMAN. Mr. Lagomarsino.

Mr. LAGOMARSINO. Thank you Mr. Chairman. I have just one question. I think you answered this, but just for the record. When did the name of Congressman Miller first come up in regard to this investigation?

Mr. WACKENHUT. I think in my remarks, sir, I mentioned May 6. I think that was the date.

Mr. LAGOMARSINO. When was the contract.

Mr. WACKENHUT. May 16, excuse me.

Mr. LAGOMARSINO. When was the contract with Alyeska entered into?

Mr. WACKENHUT. I believe in March. I don't have that date, exactly. I can get that for you.

Mr. LAGOMARSINO. To your knowledge, did Alyeska say anything about Congressman Miller when the contract was entered into?

Mr. WACKENHUT. No, sir, they did not.

Mr. LAGOMARSINO. Thank you.

The CHAIRMAN. Mr. Johnston.

Mr. JOHNSTON. Mr. Wackenhut, let me read from page 7 of your statement. It says "the methods of undercover surveillance used by Wackenhut employees in the 1990 investigation are traditional and standard techniques."

Of your own personal knowledge, do you know at any time did Wackenhut, its employees, or its contract employees break any laws in Alaska, Virginia, Florida or DC?

Mr. WACKENHUT. I am told by our attorneys they did not, sir.

Mr. JOHNSTON. The question is, of your own personal knowledge, do you know of any?

Mr. WACKENHUT. Not of my own personal knowledge.

Mr. JOHNSTON. Mr. Lund, you use the term contract employee?

Mr. WACKENHUT. Yes, sir.

Mr. JOHNSTON. What does that mean?

Mr. WACKENHUT. It means he has his own business where he is involved in electronic countermeasures and other highly sensitive electronic type of work. And, he does that on his own and, when needed, he is hired by Mr. Black to do work for us.

Mr. JOHNSTON. In this operation, Mr. Lund is an independent contractor, he is not an employee of Wackenhut?

Mr. WACKENHUT. Yes, sir.

Mr. JOHNSTON. Do you know of your own personal knowledge if at any time he violated or broke any laws?

Mr. WACKENHUT. To my knowledge, he did not, sir.

Mr. JOHNSTON. You further state on page 5, "Mr. Chairman, contrary to media reports, let me categorically state Wackenhut did not conduct a covert investigation of you, your staff, any member of your committee or any Member of Congress."

Do you know for a fact whether any of your independent contractors may have done that?

Mr. WACKENHUT. Of my knowledge, they did not, sir.

Mr. JOHNSTON. They could have though, couldn't they.

Mr. WACKENHUT. I guess they could have. I am sure they did not.

Mr. JOHNSTON. Why are you so sure, Mr. Wackenhut?

Mr. WACKENHUT. Why am I so sure? I know what they said. I know the independent investigation by this law firm we hired has found nothing that would indicate any irregularities throughout the entire investigation.

Mr. JOHNSTON. Did they go outside of the corporation to the independent contractor?

Mr. WACKENHUT. They interviewed him, yes, sir.

Mr. JOHNSTON. Does this—you mentioned to Mr. Gejdenson the daily reports. Does this committee have every daily report that was transcribed by your employees?

Mr. WACKENHUT. Every one that we can find, sir.

Mr. JOHNSTON. How many are you missing?

Mr. WACKENHUT. I am not sure of that exact amount.

Mr. JOHNSTON. About 18 days' worth?

Mr. WACKENHUT. Counsel tells me he thinks it is 18 entries that seem to be missing.

Mr. JOHNSTON. Do you have any idea why those entries are missing?

Mr. WACKENHUT. No, sir I do not.

Mr. JOHNSTON. Are you continuing to investigate and provide this committee with them?

Mr. WACKENHUT. Yes, sir, we are.

Mr. JOHNSTON. You set up through your organization, Ecolit; is that correct, sir?

Mr. WACKENHUT. Yes, that was set up for this particular investigation.

Mr. JOHNSTON. Did you ever represent to Mr. Hamel or to anyone that Ecolit had a 501(c)(3) exemption, that it was tax exempt?

Mr. WACKENHUT. This is the first I heard that, sir, I don't know anything about that.

Mr. JOHNSTON. You were given a charge by Alyeska to find the leaks. Did you find any?

Mr. WACKENHUT. Yes, sir.

Mr. JOHNSTON. Could you state what they were?

Mr. WACKENHUT. Persons in Alaska that were funneling information to Mr. Hamel, and that information was turned over to Alyeska.

Mr. JOHNSTON. Could you inform us of the persons?

Mr. WACKENHUT. One name in particular was Robert Scott, who was an employee of Alyeska.

Mr. JOHNSTON. Any others, sir?

Mr. WACKENHUT. I believe there were three or four others. I don't have their names in front of me.

Mr. JOHNSTON. Do you know who can produce those names?
Mr. WACKENHUT. We have them, we can.
The CHAIRMAN. You will provide those for the record?
Mr. WACKENHUT. Yes, sir.
Mr. JOHNSTON. That is all, Mr. Chairman.
The CHAIRMAN. Thank you.
Mr. Taylor.
Mr. TAYLOR. Mr. Wackenhut, you mentioned that you did have a number of people that you found had taken documents or information from Alyeska?
Mr. WACKENHUT. Yes, sir.
Mr. TAYLOR. Did any of those documents—and these were stolen.
Mr. WACKENHUT. Yes, sir, they were.
Mr. TAYLOR. Did these stolen documents have anything—deal with attorney-client privilege, some of them?
Mr. WACKENHUT. Some of them did, sir.
Mr. TAYLOR. Did they deal with perhaps operation or technical information that might have been of considerable value to competitors or to others?
Mr. WACKENHUT. Exactly. And in addition to that, there were engineering drawings that were stolen. It was just a total leak. A flood of information coming out of the bowels of the company and they wanted it stopped, naturally.
Mr. TAYLOR. So various—these were not—the things that were taken weren't necessarily pieces of general correspondence between two people these were trade secrets stolen from a corporation?
Mr. WACKENHUT. Exactly.
Mr. TAYLOR. These were attorney-client privileged documents that were stolen?
Mr. WACKENHUT. Yes, sir.
Mr. GEJDENSON. Will the gentleman yield?
These documents that were diverted from Alyeska were trade secrets on how they do business and how they make their product?
Mr. TAYLOR. You are questioning the wrong person.
Mr. GEJDENSON. You called them trade secrets. I was under the understanding these documents dealt with spills of oil and environmental damage that would not be categorized as trade secrets by anybody.
Mr. TAYLOR. Well, there your information might be deficit. What I was trying to do was broaden to find out for myself what was taken. I understand from Mr. Wackenhut's statement some of the information you have been shown was stolen were classified as trade information or secrets. I think you said engineering drawings and other drawings.
Mr. WACKENHUT. Yes, sir; that is correct.
Mr. TAYLOR. In other words, we are not just talking about potential information that might have had to do with oil spills or other things. We are talking about a company's assets and in fact its trade and operational information, its "engineerial" drawing, its way of doing business is part of its assets.
Mr. WACKENHUT. To my knowledge that is exactly correct, sir. They were privileged documents.
Mr. TAYLOR. Thank you, Mr. Chairman.
The CHAIRMAN. Mr. Richardson.

Mr. RICHARDSON. Thank you, Mr. Chairman.

Mr. Wackenhut, how did the investigation get the telephone records of Mr. Hamel?

Mr. WACKENHUT. What I have been told by the attorneys that went through the entire process, they were obtained by Mr. Black through a contact that he had from an advertisement that appeared in a private investigative magazine that circulated throughout the country where he openly offered for sale toll records of anybody that you wanted to get them for.

Mr. RICHARDSON. Is that legal?

Mr. WACKENHUT. I don't know. I am told there is nothing illegal about it.

Mr. RICHARDSON. On page 5 of your statement, relating to the investigation of Congressman Miller, at the bottom of the page, you said, "once Hamel mentioned a Member of Congress, Black immediately sought legal advice from a prominent Miami attorney, William Richey."

Did Mr. Black seek legal advice at his initiative, at your request? Why did he do that?

Mr. WACKENHUT. Mr. Black, as I understand it, did it on his own initiative for which I am very pleased, and—

Mr. RICHARDSON. Were you informed that the name of Congressman Miller was now surfacing?

Mr. WACKENHUT. I mentioned previously that my son and Mr. Bernstein came to me and said that a Congressman's name had come up. And I asked if the attorneys had been contacted about this and they said they had. So, we were going on whatever the attorneys said about the situation.

Mr. RICHARDSON. "On May 17, Richey advised Black against pursuing any investigation against a Congressman and asked Black to find out who Congressman Miller is so he could have some context into which to place Hamel's claim."

Now when Mr. Black spoke to Mr. Richey, did Mr. Black say he was going to investigate Mr. Miller, and Mr. Richey said that this is not advisable? What was the context of that conversation?

Mr. WACKENHUT. I respectfully suggest, sir, that you ask Mr. Richey that. I was not there at that meeting.

Mr. RICHARDSON. "On the following day, May 18, Black drafted a memo to Ricki Jacobson, a Wackenhut investigator requesting her to review various public records to learn about Congressman Miller and his committee."

Now, Mr. Wackenhut, isn't this whole issue concern over what the Congress might learn on activities by Alyeska? Why would anybody want to find out anything about Congressman Miller?

The CHAIRMAN. I'm just an ordinary guy.

Mr. RICHARDSON. Isn't it obvious—wasn't the hearing—wasn't it obvious the Congress was already investigating?

The CHAIRMAN. You don't have to say it that way, you know.

Mr. RICHARDSON. Why would it be necessary to find out who Congressman Miller was?

Mr. WACKENHUT. Let me give you two answers because you asked two questions: The first one was, was there any thought or indication in our minds or Mr. Black's mind that had anything to do with oil spills or the *Exxon Valdez* matter or anything of that

sort. Believe me, that never came up. That was not an issue. That was not what we were thinking of.

Answer to your second question: Why would anybody question—make any questions about Congressman Miller.

Mr. Black was engaged in a sting operation in which he was posing as an environmentalist, and Mr. Miller's name kept coming up through Mr. Hamel, not any other way. So it was obvious we had to find out who Mr. Miller was.

At that point in time, we didn't know. When I say, "we," I am speaking generically, Mr. Black didn't know certainly, and Mr. Richey didn't know. So Mr. Richey wanted to know who Congressman Miller was. You can find that out by going to the public library and that is exactly what we did.

Mr. RICHARDSON. That is my point. Congressman Miller held a hearing in Alaska a year before this investigation took place. He is a prominent Member of the Congress. This committee has been looking at this issue, and my question is: Why would the top investigator, Mr. Black, not know?

And why would Mr. Richey not know who Congressman Miller is and why would that prompt a memorandum to Ricki Jacobson requesting her to review public records to learn about Congressman Miller and his committee? You are investigators. Why would you not know about Congressman Miller and this committee and the activities of this committee?

Mr. WACKENHUT. There was no reason to know, sir. And, we are investigators, that is what we did. We investigated to find out who Mr. Miller was from public sources. Certainly nothing wrong with that. He had to speak about Mr. Miller with Mr. Hamel. He had to act like he knew who Mr. Miller was.

I venture to say that Mr. Black is not—is not up on all the congressional activities that are taking place. I know that I am not, and I would be in a better position to be—I am in a better position to do that than he would be. I was not conscious of—I knew there were hearings on the *Exxon Valdez* oil spill and all that sort of thing, but the names of each individual Congressman are not of any particular significance to me unless they become significant.

Mr. RICHARDSON. I am going to yield to the gentleman in a second, but my point is that here you are investigating. You are asking for public record on something that is painfully obvious. I don't understand a $½ billion firm of your sophistication, you've got prominent Washington people. Mr. Richey is a prominent attorney and you have to find out through public sources who Congressman Miller is. I am baffled.

Mr. WACKENHUT. You are baffled, sir, because it is very close to you, you have been in the committee. You know all about it. It is very obvious and it is a close situation to you. It isn't to us.

Mr. RICHARDSON. All of the documents that you submitted relating to Congressman Miller, the public records obtained at the Dade Public Library, is that all the documents that were obtained relating to Congressman Miller?

Mr. WACKENHUT. To my knowledge, except for the client-attorney letter that Mr. Richey wrote concerning this whole matter, and you have that and he will be testifying, so, again, respectfully, sir, I

would like you to ask him why he didn't know who Congressman Miller was.

Mr. RICHARDSON. But in any Wackenhut files, there are no other papers, documents relating to Congressman Miller.

Mr. WACKENHUT. Not to my knowledge.

The CHAIRMAN. Mr. Marlenee.

Mr. MARLENEE. Mr. Chairman, I reserve the balance of my time.

I apologize to you for all Americans who do not know who Mr. Miller, the chairman of the committee, is.

The CHAIRMAN. It is a great relief to this Member that Mr. Wackenhut's firm did not know who I was prior to this investigation.

Mr. Hefley.

Mr. HEFLEY. Who is this Miller you keep talking about?

It often is a surprise to us that we are not nearly as important as we think we are sometimes, Mr. Wackenhut, so I understand that you wouldn't know who some of us——

Mr. WACKENHUT. Believe me, sir, I do not wish to demean any Member of Congress. I am from Florida, I know who Dante Fascell is and a couple of other Congressmen down there, but that is about it.

Mr. HEFLEY. That's our beltway mentality here, that we think people should know. Tell me again, how long has your investigative firm been in existence? You mentioned that, but I——

Mr. WACKENHUT. Well, the special investigative group just began in November 1989. We have been in the investigative business since I started in 1954.

Mr. HEFLEY. Prior to this special investigative group, you did what kind of investigations? You did security, that is a different branch, but what other kinds of investigation?

Mr. WACKENHUT. The investigations we do are primarily background investigations for preemployment purposes.

Mr. HEFLEY. Is it unusual, in your history, since 1954, to investigate industrial leaks?

Mr. WACKENHUT. We have done so in the past, yes. They are usually done by placing an undercover agent in the particular company, and operating as an employee of that company, to attempt to find—get familiar with everyone, try to find out where the leak is.

This was a little broader than that, and a good reason for it to be, actually.

Mr. HEFLEY. But it wasn't too unusual for you to look into industrial material being leaked?

Mr. WACKENHUT. No, sir.

Mr. HEFLEY. Tell me again, in what context did this unknown Congressman Miller's name arise?

Mr. WACKENHUT. Mr. Hamel was bragging about his closeness to Mr. Miller, bragging about all the information, all the sources and things he was getting from out of Alyeska, and that he had this close association, he turned over all the stolen documents to Congressman Miller.

Now, he is saying that; I am not. I don't know how close he is to Congressman Miller or how close he was or anything else. All I know is what he was saying. And he said it on tape, both video and audio.

Mr. HEFLEY. So that is how Congressman Miller's name came up. Did any other Congressman's name come up?

Mr. WACKENHUT. No, they did not, sir.

Mr. HEFLEY. There was just Congressman Miller.

Mr. WACKENHUT. Since all this broke, there have been three or four Congressmen, we have learned, that were told that we had tapped their wires. We haven't tapped any wires of anybody, let alone Congressmen.

Mr. HEFLEY. At any time, was it suggested that we had better investigate Congressman Miller or we had better tap his wires or look at his garbage or do whatever you do?

Mr. WACKENHUT. Not tap his wires. Should we investigate Congressman Miller, only in the event that it appeared that the allegations by Mr. Hamel had some weight, and that is why the attorney was contacted. And his response was, no, there is insufficient evidence here; and if the evidence were any greater, we would turn it over to the Federal authorities. It would not be our province to investigate Congressmen or any other member of the Government.

Mr. HEFLEY. Finally, what was your final assessment of Mr. Hamel and his role in all of this? Was he just a disgruntled person who had a disagreement with a company, or was there more than that?

Mr. WACKENHUT. I have got my own thoughts, sir, but I don't really think I should try to get into Mr. Hamel's head. He is going to be interviewed, I understand, by the committee this afternoon, and I think that would be an appropriate time to ask that question.

Mr. HEFLEY. Thank you.

Mr. WACKENHUT. Thank you, sir.

The CHAIRMAN. Mr. Abercrombie.

Mr. ABERCROMBIE. You said you didn't want to get into Mr. Hamel's head. You wanted to get into his house, didn't you?

Mr. WACKENHUT. Mr. Black was invited into his house.

Mr. ABERCROMBIE. Did you have as the object of getting into his house, to find out more than what was in his head?

Mr. WACKENHUT. We wanted to find out what documents he was receiving and from whom.

Mr. ABERCROMBIE. So Mr. Black had the approbation of your company; is that correct? Everything Mr. Black did was entirely within the line of rules and regulations established by you? Yes or no?

Mr. WACKENHUT. As long as it is legal, yes.

Mr. ABERCROMBIE. Did everything Mr. Black did fall within the rules and regulations of your company? Yes or no?

Mr. WACKENHUT. I am not sure I understand what you are saying.

Mr. ABERCROMBIE. Do you take responsibility for what Mr. Black did within the rules and regulations that he was ostensibly operating under in The Wackenhut Company?

Mr. WACKENHUT. Of course. I am the chairman of the company. I have to take responsibility. The buck stops here.

Mr. ABERCROMBIE. Did Mr. Black obey all the rules and regulations of The Wackenhut Company and your operation? Yes or no?

Mr. WACKENHUT. As far as I know, sir, yes. And that is why we are continuing on with the internal investigation, not only of our

lawyers but also of our board of directors, to find out if there is anything that he did that he shouldn't have done. As of now, we know of nothing.

Mr. ABERCROMBIE. If it turns out that it does, then you are going to be held fully liable, civilly or otherwise; is that correct?

Mr. WACKENHUT. Obviously.

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Wackenhut, you indicated that Mr. Black was invited into Mr. Hamel's house. Now, he was invited in obviously as Mr. Wayne Jenkins, doctor of some science, representing a group called Ecolit. He was not invited in as Mr. Wayne Black, an employee of Wackenhut.

Mr. WACKENHUT. Obviously not, sir.

The CHAIRMAN. When he was invited into the house, was he invited into the house for the purposes of stealing material from the house, do you think? Do you think Mr. Hamel asked him in to steal material?

Mr. WACKENHUT. I would think not.

The CHAIRMAN. You would think not, and yet Mr. Black did take material, letters, from Mr. Hamel's residence.

Mr. WACKENHUT. I don't know about letters, sir. I know about documents, and we covered that point before.

The CHAIRMAN. We have a letter here that is addressed to Gloria Ewell, which Mr. Black says he took from the residence on May 9, 1990, in his handwriting. [See page 396.] He first says he took it on April 9, but he wouldn't be there in April. And then corrects it with May 9. He says, "received at Charles Hamel residence." And the post office box is Alaska. I believe that is Mr. Scott's.

So this is from Mr. Scott, who had been identified very early on in this process as a possible suspect.

Mr. WACKENHUT. Who is it addressed to, Mr. Miller, please?

The CHAIRMAN. It is addressed to Ms. Gloria Ewell.

Mr. WACKENHUT. That is a nonexistent person, too.

The CHAIRMAN. So you have a right to take mail addressed to nonexistent persons? Well, this is your employee, Mr. Wackenhut. For better or for worse.

Mr. WACKENHUT. Was it an envelope he took? Was it something he picked out of the trash? You are asking me questions I can't answer, because I don't know what it is that you are——

The CHAIRMAN. It was taken out of the house.

Mr. WACKENHUT. I don't know the answer to that. We will find out for you.

The CHAIRMAN. You will find out for me.

Would this be a traditional, standard method of conducting an investigation, as you said in your testimony?

Mr. WACKENHUT. All I can say there is, I would be under the impression that Mr. Black was attempting to show to Alyeska evidence that would indicate who was sending documents and information to Mr. Hamel.

The CHAIRMAN. What you are suggesting, I think, is that, in the attempt to determine whether Mr. Hamel is in receipt of stolen documents, you have the right to steal documents from Mr. Hamel?

Mr. WACKENHUT. We are taking documents that were stolen.

The CHAIRMAN. Taking documents from another person's residence, which you entered under false pretenses.

Mr. WACKENHUT. His residence, his office, out in the street, anywhere. They were stolen, and we retrieved them. They were not his property.

The CHAIRMAN. No, not his office. Not out in the street. You took from his house, which you entered under false pretenses, letters addressed to someone else, unopened mail, by the way.

Mr. WACKENHUT. I don't know that. I am told it was not—I was told it was opened.

The CHAIRMAN. Well, we were told by your employees that, in fact, it wasn't. We were told by your employees—in the affidavits—that they were there when this was taken.

Now, in the theft that you condoned, the purpose would be to retrieve a stolen document; is that correct?

Mr. WACKENHUT. That is what I said earlier.

The CHAIRMAN. You would condone the theft to get back Alyeska's documents; is that correct?

Mr. WACKENHUT. I don't think it is a theft to take property that doesn't belong to the person. We are the agents of those it was taken from.

The CHAIRMAN. So you made the decision that that was the stolen document?

Mr. WACKENHUT. I didn't make the decision, sir. I wasn't in there.

The CHAIRMAN. Your agent doesn't know at the time they take that document whether it is a stolen document.

Mr. WACKENHUT. I can't answer that, because I don't know——

The CHAIRMAN. You run a judicial system out at Wackenhut?

Mr. WACKENHUT. I told you, I don't know the answer to that. I will try to get it for you.

The CHAIRMAN. Well, as it turns out, it was a document about ANWR, about oil imports rising at an alarming rate.

With respect to the telephone tolls, I think that Mr. Richardson asked about, you said you didn't know there was anything illegal about it.

Mr. WACKENHUT. That is what the attorneys have told me, sir.

The CHAIRMAN. So as far as you know, you can take telephone tolls from people without their knowledge? You can buy them?

Mr. WACKENHUT. That is what we did, sir.

The CHAIRMAN. A letter that we have from AT&T says that "these records related to long-distance charges are confidential and we will not disclose such records at the request of third parties unless appropriate legal process is received." There is no legal way, no way to get them without the consent of AT&T or the consent of the parties.

Mr. WACKENHUT. Respectfully, Mr. Chairman, if you allow Mr. Richey to answer these questions for you, he is prepared to do so.

The CHAIRMAN. OK, I will be delighted to do it at that point. But as you state in your testimony, these practices would be traditional within the workings of your company; is that correct?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. This document that I held up that was sent from Wackenhut to Alyeska stated that an envelope from P.O. Box 706 zipcode 99686 addressed to Ms. Gloria Ewell in Washington, D.C., was recovered by investigator Wayne Black after it was discarded by Charles Hamel. Discarded within his home, apparently. [See page 452.]

Yet when Alyeska sent its information to the committee, we were told only that they have an envelope addressed to Ms. Gloria Ewell in Washington, D.C.

Was this discarded by Mr. Hamel, or wasn't it? Because Alyeska doesn't tell us it was discarded.

Mr. WACKENHUT. I can't answer that, sir. I don't know.

The CHAIRMAN. So you do not know the status of that envelope? Is that what you are telling me and you are telling the committee?

Mr. WACKENHUT. No, sir, I do not.

The CHAIRMAN. When you tell us that you are relying on traditional and standard methods of operation, how do you make that determination? How do you determine how your employees carry this operation out?

Mr. WACKENHUT. I don't make the determination. They are hired on the basis of their experience and expertise. And they are told they are to violate absolutely no laws. If there is any question, they confer with legal counsel. And they operate under his aegis.

The CHAIRMAN. What kind of training on the law do you give to Wackenhut employees, if you will, people who are going to be going out and following unsuspecting private citizens in this regard?

Mr. WACKENHUT. We don't give any training. Mr. Black would be in a position to train most of our people. He has had unlimited experience in this sort of thing.

The CHAIRMAN. In response to the subpoena, one of your employees submitted to us *How to Get Anything on Anybody,* a book somebody at NBC News called "possibly the most dangerous book ever published," and this was given to your employees to become familiar with investigative techniques. [See page 402.]

And in this rather remarkable book, it says that—according to the author—"there is no legal way to get an unlisted, unpublished number. There are a couple of other ways. The phone company puts out a small book of all unlisted numbers in its areas. A phone person can sometimes be bribed to sell a copy of this book. If a number is actually unlisted, a good detective might have sources or follow the author's technique.

"In determining and dealing with the records under the control of a living person, there is no such thing as a closed source. Some simply necessitate a different plan of attack. Civil servants, City Hall recordkeepers, et cetera, are often bendable by the correct use of flattery"—and it goes on to suggest, by flattery, by telling them you are involving them in an important investigation. And bribes are sometimes an acceptable alternative.

It also goes on into placing a bug. "Let's first look at how to get it in. There are several alternatives and I am going to cover them in order of descending legality."

You provide no training to your investigators, and yet this is what one of your vice presidents of Wackenhut gave to the individ-

uals for the purpose of becoming familiar with investigative techniques.

Mr. WACKENHUT. I know nothing about it, sir. I am not familiar with the book at all.

The CHAIRMAN. Well, I appreciate that you don't know all about the daily working of your company, but I guess what disturbs me is that apparently there is not even company policy in place. Or is there a company policy in place with respect to training people whom you hire to work under the Wackenhut name, a large, successful company, about the parameters of their investigation's techniques, and the procurement of evidence or information?

If you go to work for many, many large corporations, they like you to do it their way. I don't want to use other corporate logos, but they present to new staff their tradition of doing business, whether you are in sales or management or legal departments or what have you. That apparently is not in place at Wackenhut?

Mr. WACKENHUT. We have a manual on investigations.

The CHAIRMAN. This is not it, I assume.

Mr. WACKENHUT. No, sir. I haven't reviewed it in quite a long time, so I can't quote to you what would be in it.

We do have training for all of our people. But as I said, Mr. Black, for the special investigative group, would be in a better position to train than anybody else we have in the company.

The CHAIRMAN. But he is not required to train anyone?

Mr. WACKENHUT. He would be required to train them up to the level of what he was going to ask them to do, or else they couldn't perform.

The CHAIRMAN. In the SID [Special Investigative Division] unit, Mr. Bernstein is not an attorney, is that correct, as you stated earlier?

Mr. WACKENHUT. That's correct.

The CHAIRMAN. Mr. Black is not an attorney?

Mr. WACKENHUT. No, sir.

The CHAIRMAN. Is there anyone there who advises or trains people on the legalities?

Mr. WACKENHUT. We have two in-house attorneys who get involved in that, yes, sir.

The CHAIRMAN. Your corporation is engaged in invading other people's lives to one extent or another. It may only be a credit check, a background check, confidential or not confidential, but that is a good portion of your domestic operation's basis, is that not?

Mr. WACKENHUT. No, no, a very small part, sir.

The CHAIRMAN. I thought you said in domestic operations you did a lot of background checks.

Mr. WACKENHUT. No, the general investigative division does background checks. It is a very small part of our business. I think it is——

The CHAIRMAN. Do those people get trained on what to do?

Mr. WACKENHUT. Yes, sir, they do.

The CHAIRMAN. But they would not be the people in the Special Investigative Division?

Mr. WACKENHUT. No. They are all under one division right now. Black is in charge of them.

The CHAIRMAN. Is there a reason you chose not to train people that do your heavy investigations?

Mr. WACKENHUT. I have said now three times that Mr. Black is extremely experienced in that sort of thing and he was handling the situation. He was handling that division, and being very successful in most of the investigations he conducted, if not all.

The CHAIRMAN. Successful, what do you mean by "successful"?

Mr. WACKENHUT. Successful by getting the information that the customer wanted us to get.

The CHAIRMAN. That would be the determination?

Mr. WACKENHUT. Basically, yes. Or determining that whatever was alleged about the particular subject was in fact not true. Either one way or the other.

The CHAIRMAN. Without looking behind how that information was procured?

Mr. WACKENHUT. If the edict to them is, you will do everything according to the law, there is hardly more you can do until you get into a specific situation. And then you contact attorneys.

I don't know of any book that can spell out everything that need be done in any particular type of investigation. They are as varied as the stars in the sky.

The CHAIRMAN. Yes, they are, there is no question about that. But there is also a question about whether the techniques are within or outside the law, as well as the procedures that are required for an investigator to comply with the various State laws.

If you were going to bug somebody's phone conversation, tape somebody's phone conversation in the State of Florida, there are legal requirements, are there not?

Mr. WACKENHUT. It is my understanding, again, Mr. Richey can answer all these questions for you so much better than I can——

The CHAIRMAN. Are you the largest security firm in this country?

Mr. WACKENHUT. No, sir.

The CHAIRMAN. No. What are you?

Mr. WACKENHUT. Third.

The CHAIRMAN. Third. But you are a national, international firm.

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. Would you not guess, Mr. Wackenhut, whether or not there are legal requirements in the State of Florida?

Mr. WACKENHUT. There are legal requirements. Mr. Black is very familiar with them, as are our attorneys.

The CHAIRMAN. Would you guess that there are Federal regulations and laws with respect to extracting communications between two people?

Mr. WACKENHUT. There are, of course.

The CHAIRMAN. And yet you do not engage in a policy of taking your people through the process of what would be expected. You expect all of your people to know the law. Essentially, that would be the case, because you do tell them they can only do that which is legal?

Mr. WACKENHUT. I am repeating myself, Mr. Miller. I have said three times now they contact an attorney when they have any questions.

The CHAIRMAN. So they all contact the attorney prior to any actions that they take?

Mr. WACKENHUT. Generally, yes.

The CHAIRMAN. Generally. That is what worries me, Mr. Wackenhut.

Mr. WACKENHUT. I can't tell you every instance that has taken place, but I am assured that that is what happens, and it happened in this case.

The CHAIRMAN. Mr. Young.

Mr. Gejdenson.

Mr. GEJDENSON. Thank you.

You know, my problem here is—forget the employees you have walk in the door—I don't get a solid sense that you as the head of the company have an understanding of what is legal or not legal. We have spent a lot of time here worrying about the police breaking and entering without due process, but the indication I get is that your firm feels that it doesn't have basic law that it has to follow.

Mr. WACKENHUT. Negative.

Mr. GEJDENSON. Negative. Let me ask you this. So it is your feeling that you have a right to take documents from someone's home?

Mr. WACKENHUT. We have covered that point, sir.

Mr. GEJDENSON. But that is your feeling, you can go into my house, take an envelope, and walk out with it, and you can do that legally without getting a court order, because you, Mr. Wackenhut, decided it was stolen? You may not know what is in it, but once you decide, and I am not sure where you get this authority and power in the constitutional laws of the country, but you can come into my house and if you see something, that pen looks like it is mine, I will just take that with me. That is what you can do, and that is legal?

You can buy phone records. Is the gentleman sitting next to you a lawyer?

Mr. WACKENHUT. Yes, sir.

Mr. GEJDENSON. Did he tell you you could buy phone records? Can you do that legally?

Mr. BALDWIN. The purchase of phone records? Yes, sir, of course you can purchase a phone record. If someone is willing to sell the record, yes, sir.

Mr. GEJDENSON. So if I have something that is stolen, you are going to advise your client that he can buy that legally? There appears to be no legal way to get from the phone company my phone records, and—where are you a lawyer, in this town?

Mr. BALDWIN. In Miami, sir.

Mr. GEJDENSON. So in Miami you are going to advise your client, if I am standing on the street corner with 150 Rolexes under my coat, he can legally buy them?

Mr. BALDWIN. No, sir, but that is——

Mr. GEJDENSON. Why do you think you can advise him that somebody can steal my phone records, and as long as we keep a reasonable legal distance, can he buy them?

The CHAIRMAN. One second, if I might. First of all, the attorney is not the witness here, but Members do have a right to ask the

attorney a question. If you ask the attorney a question, let the attorney answer the question.

Mr. BALDWIN. I am sorry, Congressman, I don't understand your question.

Mr. GEJDENSON. If I have something that's stolen—there's no legal way to get it—I have got an F–16, it is Government property, you can't buy it, and I come up to you and say, I have this F–16, it is in my possession. Can you legally buy it if you know it's stolen?

Mr. BALDWIN. Not if I know it is stolen, no.

Mr. GEJDENSON. Do you know of a legal way to get phone records?

Mr. BALDWIN. If the phone company will sell them——

Mr. GEJDENSON. The phone company won't.

Mr. BALDWIN. The sale of a record is not the only way the phone company might let records out, sir. I am not the phone company and I have never represented one, and I can't answer factually.

Mr. GEJDENSON. You would be ready to tell your client it is legal to buy something that nobody, to my mind, has presented a legal way of obtaining, buying some spy magazine list? You would say that is fine to your client?

Mr. BALDWIN. I am sorry, sir. I can't address a hypothetical like that. I would have to look at the situation.

Mr. GEJDENSON. Would you advise your client that it is all right to take mail from my house once he decides it is not mine, without a court order?

Mr. BALDWIN. If an individual is representing someone who owned the property and the property clearly belongs to that individual, yes, sir.

Mr. GEJDENSON. So you can come in to my house, and once one of his highly trained individuals identifies something as not being mine, he has a right to take it without going to court, without calling the police or anything else?

Mr. BALDWIN. Yes, sir.

Mr. GEJDENSON. But on the other hand—let me ask one more question. Let me go back to Mr. Wackenhut.

You say you didn't tap any of these phone lines. Did you record any of these conversations through some other means?

Mr. WACKENHUT. It is my understanding that they did, yes.

Mr. GEJDENSON. Did any of those recordings include a conversation held with a Member of the United States Congress?

Mr. WACKENHUT. No, sir.

Mr. GEJDENSON. Were any recorded in Florida?

Mr. WACKENHUT. I understand one was. I was told that just this past week.

Mr. GEJDENSON. Were any recorded in Virginia?

Mr. WACKENHUT. I believe there were a number recorded in Virginia.

Mr. GEJDENSON. It is your opinion that it is illegal for a staff person of a company to take home a document which he has rightful access to?

Mr. WACKENHUT. I guess I don't know what you mean by "rightful access."

Mr. GEJDENSON. If I work in a company and these are documents I work with every day, is it illegal for me to take them home?

Mr. WACKENHUT. Not if you bring them back.

Mr. GEJDENSON. Is it illegal for me to bring a Xerox of them home?

Mr. WACKENHUT. I don't think without authority you have that right, no.

Mr. GEJDENSON. Is it prohibited in Alyeska for employees of the company to take documents home with them?

Mr. WACKENHUT. Mr. Congressman, the Alyeska people will testify.

Mr. GEJDENSON. Let me ask you a question about Rick Lund. In your report, the document we have here, it says, he teaches special courses to U.S. Government Agents on methods of entry, wiretapping, and countermeasures. Is that correct?

Mr. WACKENHUT. Does it say wiretapping?

Mr. GEJDENSON. It says wiretapping, that he teaches special courses to U.S. Government Agents on methods of entry, wiretapping, and countermeasures.

Mr. WACKENHUT. Yes, the U.S. Government can wiretap legally.

Mr. GEJDENSON. Mr. Lund teaches Government Agents; is that correct?

Mr. WACKENHUT. That is what I am told, yes, sir.

Mr. GEJDENSON. What portion of your business is with the U.S. Government?

Mr. WACKENHUT. A significant portion.

Mr. GEJDENSON. Which Agencies do you work for?

Mr. WACKENHUT. Department of Energy, Department of the Army, Department of State.

Mr. GEJDENSON. Those are the only Federal Agencies you work for?

Mr. WACKENHUT. Department of Labor.

The CHAIRMAN. You are free to submit that for the record.

The CHAIRMAN. Mr. Lagomarsino.

Mr. MARLENEE. Will the gentlemen yield?

The CHAIRMAN. Mr. Marlenee.

Mr. MARLENEE. There occurs the question of legality, and a question that I have, it seems that the documents in question that we are making so much about were stolen starting in May 1990 from Mr. Hamel's home, a full 18 months from now, 18 months ago. Eighteen months ago is a sufficient amount of time for any individual to ascertain that the documents that were once in his possession are no longer in his possession, and if in fact it was illegal, has Mr. Hamel filed a complaint with the jurisdiction of law, appropriate jurisdiction of law to your knowledge?

Mr. WACKENHUT. Not to my knowledge, sir.

Mr. MARLENEE. So there has been no complaint filed with the jurisdiction of law that in fact these documents were stolen. And one more question, if the gentleman would yield further.

Mr. LAGOMARSINO. Yes, I yield.

Mr. MARLENEE. Mr. Wackenhut, has your company or you in management ever circulated a memo, a directive stating that your employees will follow the laws of the State of Florida or this Nation?

Mr. WACKENHUT. Yes, sir. Each year, and that is one of the papers we put into the record, it is a statement of integrity that every employee has to sign on an annual basis. [See page 389.]

Mr. MARLENEE. That they will follow the law?

Mr. WACKENHUT. Yes, sir.

Mr. MARLENEE. Thank you for yielding.

The CHAIRMAN. Let us not suggest that Mr. Hamel knew on May 5 or May 6 that these documents had been stolen from his house. This was a covert operation of which Mr. Hamel was not then aware.

Mr. MARLENEE. Is he aware at this time?

The CHAIRMAN. I assume he is.

Mr. MARLENEE. Why doesn't he file a charge then?

The CHAIRMAN. Mr. Marlenee is insinuating that Mr. Hamel sat on his rights for the last 18 months. That is not the case.

Mr. MARLENEE. I thank the gentleman for yielding.

The CHAIRMAN. Mr. Johnston.

Mr. JOHNSTON. Mr. Wackenhut, I think it is previously testified and conceded that your company went through the garbage and trash of Mr. Hamel.

Mr. WACKENHUT. That is my understanding, yes.

Mr. JOHNSTON. Mr. Hamel, in litigation with Exxon, Alyeska, didn't you retrieve from the garbage privileged communications between his attorney and him that you turned over to Alyeska?

Mr. WACKENHUT. I can't answer that, sir, but I am sure the people from Alyeska can. I don't know what he found and what he turned over. He was simply looking for the name of the individual that was leaking the information.

Mr. JOHNSTON. But you concede that everything that was retrieved from the garbage was turned over to Alyeska?

Mr. WACKENHUT. I believe so.

Mr. JOHNSTON. I refer you to Mr. Lund's notes on page 2 in which he states that he received communications from an Elliott Stepovitch, who was the attorney for Mr. Hamel, regarding litigation between Hamel and Alyeska. [See page 426.] Are you knowledgeable of that, Mr. Wackenhut?

Mr. WACKENHUT. Repeat the question, sir.

Mr. JOHNSTON. From Mr. Lund's own personal notes of information he extracted from the garbage, that he found communications between this law firm who are Trustees for Alaska, an environmental group, dealing with possible litigation between that organization and Alyeska or Exxon. [See page 437.]

Mr. WACKENHUT. You are asking me, am I aware of this?

Mr. JOHNSTON. Yes.

Mr. WACKENHUT. No, sir. But I understand if it is thrown away, it is in the trash. Any privilege then is eliminated.

Mr. JOHNSTON. Then I invite you to look at Mr. Lund's notes as to information that he received and passed on to Alyeska and did not destroy.

Let me shift again back to telephone communications. What is the standard operating procedure of Wackenhut to obtain telephone information, lists of telephone calls?

Mr. WACKENHUT. We don't get involved in that to any great extent. And I don't know that we have a policy on that at all. As I

said before, we get legal advice before we do anything there's a question about.

Mr. JOHNSTON. But over the years of investigation, you don't have a standard procedure, if you want to get a list of telephone calls, on going out and getting them?

Mr. WACKENHUT. No, sir.

Mr. JOHNSTON. Do you always insulate yourself from any criminal or civil liability by hiring independent contractors to go out and provide with you these lists?

Mr. WACKENHUT. Hiring an independent contractor wouldn't accomplish that. It just so happens that he is an independent contractor.

Mr. JOHNSTON. Sir, do you know what a pen register is?

Mr. WACKENHUT. I found out what a pen register was just last week, and we did not use one.

Mr. JOHNSTON. Would you explain to the committee what a pen register is?

Mr. WACKENHUT. As I understand it, it is something that you attach to a telephone to pick up conversations between individuals. Oh, I know—OK. It records the telephone numbers.

Mr. JOHNSTON. It records the specific number——

Mr. WACKENHUT. Of the person calling, yes.

Mr. JOHNSTON. Does it also record the length of time?

Mr. WACKENHUT. I don't know, sir. I am not familiar with it.

Mr. JOHNSTON. If a register was on a local phone here, that register would pick up every number that was dialed out of that phone?

Mr. WACKENHUT. Yes, sir.

Mr. JOHNSTON. Do you know David Ramirez?

Mr. WACKENHUT. Yes, sir.

Mr. JOHNSTON. Would you explain to the committee who David Ramirez is?

Mr. WACKENHUT. David Ramirez is a former Army—I think he was an officer. He has been working for us for a period of maybe 6 or 8 months, maybe longer, in an undercover capacity at one of our clients in Miami.

Mr. JOHNSTON. Is Mr. Ramirez presently an employee of Wackenhut?

Mr. WACKENHUT. As far as I know, sir.

Mr. JOHNSTON. Have you had the opportunity to see Mr. Ramirez's testimony of November 3? His affidavit? [See page 438.]

Mr. WACKENHUT. No, sir.

Mr. TAYLOR. Mr. Chairman, I am getting hernia of the eyes getting tons of things coming in here not marked. Can we have something to tell us what part of the witness's testimony these things coming before us have to do with?

The CHAIRMAN. I think in this particular instance, I believe identified as Mr. Rick Lund's steno book, which the committee has had for many, many weeks now.

Mr. TAYLOR. I just saw it today.

The CHAIRMAN. Well, that's not my concern. And when Mr. Johnston asked the question, he referred to it. He has now, I believe, just referred to testimony of David Ramirez, which we received this morning, and made a copy available to the Minority, which he is now asking Mr. Wackenhut about.

Mr. JOHNSTON. I got these 10 minutes ago, too, so don't feel slighted.

Mr. TAYLOR. Could you point to the page you are talking about?

Mr. JOHNSTON. Mr. Wackenhut, page 2 of Mr. Ramirez's testimony, second paragraph. This is Mr. Ramirez under sworn testimony. "Rick Lund," who is an independent contractor of yours, is that correct, Mr. Wackenhut?

Mr. WACKENHUT. Rick Lund is, yes.

Mr. JOHNSTON. "Rick Lund told me he purchased his electronic surveillance equipment through export companies. I have seen in Rick Lund's possession at least four telephone 'pen registers' in use and, in one case, I was involved in maintaining them. Pen registers are illegal for use in this country." Parenthetically, Mr. Wackenhut, is that statement correct?

Mr. WACKENHUT. I don't know, sir.

Mr. JOHNSTON. You don't know if pen registers are illegal?

Mr. WACKENHUT. No, I do not.

Mr. JOHNSTON. "When in use the pen register can audit telephone numbers dialed from and to a specific number, which also included the time, date, and length of the conversation of each call. The calls were printed on a register tape."

Do you know of your own knowledge if Rick Lund as your independent contractor ever used a pen register in the investigation of Mr. Hamel or on behalf of the Alyeska Corporation, your client?

Mr. WACKENHUT. Of my own knowledge, I do not, but I was told by attorneys that he did not.

Mr. JOHNSTON. He did not?

Mr. WACKENHUT. That is what I was told.

Mr. JOHNSTON. Which attorneys?

Mr. WACKENHUT. The attorneys from Holland and Knight that have been going through all the information.

Mr. JOHNSTON. But you have no reason to doubt Mr. Ramirez's testimony where he states, in the past Mr. Lund has used these pen registers? I am not saying he has used them in your operation, but he had access to them and has used them.

Mr. WACKENHUT. I don't know.

Mr. YOUNG. Mr. Chairman, if the gentleman will yield, Mr. Ramirez's letter just came before this committee, just came before the chairman. We don't know who in the hell he is.

The CHAIRMAN. Mr. Wackenhut just established who he was.

Mr. YOUNG. Fine, but we don't know. If we are going to start receiving so-called documents from people we haven't checked out their backgrounds, we don't know exactly whether they are meritorious, whether he has just been fired or is presently employed or what.

Now, I don't object to your question, but I am saying, I just got a memo here from Alice in Wonderland, too.

Mr. DEFAZIO. Throw it over the transom.

Mr. JOHNSTON. May I recapture my time here?

The CHAIRMAN. The time belongs to the gentleman from Florida. Not much of it, by the way.

Mr. JOHNSTON. Very quickly, Mr. Young, I qualified him before I asked any questions. Mr. Ramirez is a present employee of Wackenhut.

And one last question, Mr. Wackenhut, do you have his testimony before you?

Mr. WACKENHUT. I do now, yes, sir.

Mr. JOHNSTON. So you are reading off of identically the same document I am reading off of, aren't you?

Mr. WACKENHUT. Yes.

Mr. JOHNSTON. No further questions.

The CHAIRMAN. Mr. Taylor.

Mr. TAYLOR. I will pass this time, Mr. Chairman.

The CHAIRMAN. Mr. Richardson.

Mr. RICHARDSON. Thank you, Mr. Chairman.

Mr. Wackenhut, since you were dismissive about the Miller investigation, let me refer to you, and my colleagues, I am going to be referring to document No. 18, which I believe everyone has, memorandum from Mr. Black to Mr. Wellington, which contains a legal opinion from the Richey firm. Mr. Wackenhut, do you have that? [See pages 443–444.]

Mr. WACKENHUT. Yes, I do now.

Mr. RICHARDSON. According to the May 22 legal memo done by the Richey firm, both Alyeska and Wackenhut seriously considered extending the covert operation directly to a Member of Congress. [See page 453.] Who was this Member of Congress?

Mr. WACKENHUT. If it ever happened, it would have been Mr. Miller. He is the only name that ever came up as a Member of Congress in this entire investigation.

Mr. RICHARDSON. Let me just read you—and I hope my colleagues will bear with me—a couple of quotations I want to make from the letter of the Richey firm. The first paragraph of the Richey firm letter: "In particular, we have been advised that Alyeska is considering an investigation which may use covert operatives who may assume different identities when dealing with a Congressman."

Second paragraph: "Although Alyeska is more than justified in wanting to vigorously investigate these allegations, there are several significant, difficult issues underlying the proposed plan."

Now I am going to go to page 5 of that same legal opinion. "Your ability to legally record and intercept conversations with a Congressman will depend on the location of the conversation. It is our understanding that conversations with a Congressman might take place in Washington, DC., Virginia and Maryland. Recording conversations with one party's consent is legal in the District of Columbia and Virginia. It is illegal in Maryland."

I will turn now to page 6, the third paragraph. "Assuming that the Congressman is encouraging or requesting that documents be stolen from Alyeska, then you might be able to use this information to successfully argue that the evidence should be suppressed in any congressional hearing (or any other type of legislative or judicial proceeding, for that matter)."

Next paragraph: "Assuming that the Congressman is involved in more than moral and ethical improprieties, a successful investigation might lead to a criminal indictment against the Congressman and others who knowingly participated in the theft of privileged, confidential documents from Alyeska."

Bear with me. This is the last item I am going to quote. Page 9, last paragraph: "The public's perception of the Congressman's activities will also influence your ability to obtain benefits from a successful operation. The information in the documents will affect the perception: the more damaging the information, the less likely that Congress and the public will be offended by the theft of the document."

Last page, third paragraph: "In light of the risks, we believe that additional research and analysis is necessary before you make a commitment to approve the use of covert operatives against a Congressman or before you refer the matter to the FBI."

Now, you said you didn't investigate any Member of Congress, but the legal opinion, from what I read, in this document does not say: stop, don't do it at all. It basically says: balance the risks and interests. Mr. Wackenhut, is that an accurate characterization of this memorandum?

Mr. WACKENHUT. Again, Mr. Richey is going to testify before you. I would ask him, because it is his memorandum. And it is my understanding that his advice was, cease and desist as far as the Congressman is concerned.

You must remember, we had nothing specific. We had Mr. Hamel babbling away at his relationship with Mr. Miller.

The CHAIRMAN. Will the gentleman yield?

Mr. WACKENHUT. It came up again and again and again.

Mr. RICHARDSON. I yield.

The CHAIRMAN. Could you tell us where that advice from Mr. Richey is, to cease and desist?

Mr. WACKENHUT. I don't know if it is in here, but he told us to cease and desist. That is my understanding. Again, ask him, please.

The CHAIRMAN. When did he tell you?

Mr. WACKENHUT. He didn't tell me personally, sir.

The CHAIRMAN. When did he tell The Wackenhut Company?

Mr. WACKENHUT. Shortly—right around May 10 or 17, in that area, after Black had gone to him and told him that he had picked up all this information from Mr. Hamel.

The CHAIRMAN. And he told Mr. Black what?

Mr. WACKENHUT. He told him that he shouldn't do it, shouldn't get involved in investigating a Congressman.

Mr. RICHARDSON. Mr. Chairman, let me just state for the record, the memorandum from the Richey firm does not reflect that opinion. And I urge you, Mr. Wackenhut, to read it.

I will ask that question. Let me now refer to Mr. Black's memorandum to Mr. J. P. Wellington. "Conclusion." [See page 447.] I am referring to page 4 of that memorandum. "We feel Hamil is truthful with our undercover investigators when he repeats his purpose for release of documents to the media, the Alaska attorney general's office, the Department of Justice, and even our research groups. Hamel has never indicated that he is interested solely in providing information to a congressional committee to assist in any investigation. Likewise, we do not know if Congressman Miller or any Member of his committee has requested Hamel or his sources to steal or otherwise obtain stolen documents from Alyeska. We are concerned that Hamel may be using his alleged relationship with Miller to extort or blackmail Alyeska or Exxon.

In "Conclusion," the last page, "we have carefully reviewed the legal discussion found in section 14 of this report dealing with the likelihood of unofficial involvement on the part of Congressman George Miller. While the cursory legal opinion was necessary, we feel no action need be taken at this time. Surely, future contact with Hamel will result in additional, more clarifying information about Congressman Miller."

Does that suggest that that cease and desist about Congressman Miller was happening?

Mr. WACKENHUT. The last sentence, Congressman, says, "if and when Hamel even hints that he (Hamel) is assisting or acting as an agent of Miller, we will cease our undercover approach."

Mr. RICHARDSON. Let me then ask you, Mr. Wackenhut, did Wayne Black ever solicit in any way information about Mr. Hamel from Mr. Hamel about Congressman Miller?

Mr. WACKENHUT. No, sir, he did not. It was all voluntary by Hamel. Hamel mentioned Congressman Miller over and over and over again.

Mr. RICHARDSON. Mr. Chairman, my last—

The CHAIRMAN. Mr. Wackenhut, in light of your answer, have you seen the tapes?

Mr. WACKENHUT. No, I haven't seen those, sir.

The CHAIRMAN. OK.

Mr. RICHARDSON. Mr. Chairman, I am going to just—what is disturbing to me, Mr. Wackenhut, is the first page of the legal memorandum, and I will ask Mr. Richey, "In particular we have been advised that Alyeska is considering an investigation which may use covert operatives who may assume different identities when dealing with a Congressman." [See page 464.]

Now, to your knowledge, was such a plan ever discussed with Wackenhut? Or was this just an Alyeska initiative? Because you were employed by—the day of this memorandum was May 22, 1990? What is Alyeska—what is Mr. Richey referring to?

Mr. WACKENHUT. I don't know, sir. Ask Mr. Richey, if you please. I respectfully ask that. And number two——

Mr. RICHARDSON. You knew nothing about this?

Mr. WACKENHUT. No, sir. I heard after the fact that there had been a meeting with Alyeska and their attorneys concerning the allegations against Mr. Miller by Mr. Hamel, and that it was thought of and suggested and discussed at that time that perhaps all of this information should be turned over to a Government Agency, and the decision was not to do so. And I can't tell you why.

Mr. RICHARDSON. I want to read a memorandum from—to the file by Mr. Wayne Black, May 18, 1990. [See page 443.] "I reminded all present that the focus of the investigation was the person(s) stealing documents from Alyeska, and not necessarily Hamel or Congressman Miller. I mentioned that it was our belief at this time that Hamel was using Miller's influence to enhance his position with Exxon. That is, he may possibly be extorting Exxon by using Miller and Miller's committee as a threat." Finally, "[a]s our investigation progresses, hopefully we will have an opportunity to either disprove or prove Hamel's allegation that Miller is aware that Hamel's sources are stealing proprietary information from Alyeska."

Mr. TAYLOR. A parliamentary inquiry——
Mr. WACKENHUT. Prove or disprove?
Mr. RICHARDSON. Did they try to prove it?
Mr. WACKENHUT. No, sir.
Mr. RICHARDSON. What is this document? They didn't try to prove it nor did they try to disprove it?
Mr. TAYLOR. A parliamentary inquiry, Mr. Chairman.
Mr. WACKENHUT. It says, prove or disprove Mr. Hamel's allegation that Mr. "Miller is aware that Hamel's sources are stealing proprietary information from Alyeska."
Mr. RICHARDSON. Did Mr. Black——
Mr. MARLENEE. We cannot hear the witness. I would like to have the question and the answered repeated.
The CHAIRMAN. Restate the question, if you can, please.
Mr. RICHARDSON. On the items that I read in that memo to the file, did they try to prove it or disprove it? And my second question is, did Black initiate questions on Congressman Miller's staff?
Mr. WACKENHUT. Excuse me, sir, say that again.
Mr. RICHARDSON. Or Congressman Miller. You want me to repeat——
Mr. WACKENHUT. Please.
Mr. RICHARDSON. You have this document?
Mr. WACKENHUT. Yes. I have trouble listening and reading at the same time.
Mr. RICHARDSON. I will let you read it. Go ahead.
Mr. TAYLOR. May my parliamentary inquiry, which takes precedence over debate, be addressed?
We have gotten a number of pieces put before us. Are these being introduced for the record or just the parts being read introduced into the record?
The CHAIRMAN. The documents as used by Members are put into the record under the agreement reached between the Majority and the Minority.
Mr. TAYLOR. The full document?
The CHAIRMAN. Yes, the full document.
Mr. TAYLOR. Thank you, Mr. Chairman.
Mr. WACKENHUT. Your question now, sir?
Mr. RICHARDSON. The question is, did they try to prove or disprove what is contained in this memo to the file?
Mr. WACKENHUT. Well, they continued on with the undercover operation with Mr. Hamel, hoping that he would give sufficient information that we could disprove that Mr. Miller was not involved. We did not think that he was.
And we think, and certainly Mr. Black thought, that Congressman Miller and not even necessarily Hamel were the targets of the investigation. The targets of the investigation were who were stealing the documents. And by establishing a close relationship with Mr. Hamel, who is receiving the documents, they were atempting to find out who it was.
It is that simple. And the name of the Congressman continued to come up.
Mr. RICHARDSON. Did Black initiate questions on Congressman Miller or his staff?
Mr. WACKENHUT. I am not aware of anything in that regard.

Mr. RICHARDSON. I don't understand. We are talking about the investigation starting in March, and now we are talking about a May 18 memo to the files, so there is still confusion about Miller being investigated or not.

Mr. WACKENHUT. Mr. Miller's name first came up on May 16. Legal advice was sought. And the outcome of the legal advice, and that will be answered specifically for you by Mr. Richey, was that we not do anything regarding Mr. Miller. That was it.

Mr. RICHARDSON. Directly or indirectly? Covert or overt?

Mr. WACKENHUT. Either way. No investigation of a Congressman. And Mr. Miller is the only name of any Congressman that surfaced during this investigation.

The CHAIRMAN. If the gentleman will yield so we can clarify. In a previous memo you read, it said, "We will cease our undercover activities." You are saying it was, in fact, broader than that?

Mr. WACKENHUT. No, I am not intimating that it was broader than that.

The CHAIRMAN. No, no. I mean, this was cease and desist across the board?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. The memo says that if what in the memo turned out to be the case, they would cease all their undercover activities. Does that mean they would cease all activities?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. That's your interpretation.

Mr. WACKENHUT. Yes, sir, because that is what the investigation was, an undercover investigation.

The CHAIRMAN. Mr. Marlenee.

Mr. MARLENEE. I reserve my time, Mr. Chairman.

The CHAIRMAN. Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Mr. Chairman, if I could, since some questions were previously directed to the attorney, I would like to direct some questions to the attorney. Is that permissible?

The CHAIRMAN. Yes.

Mr. DEFAZIO. I apologize for being late, but I was involved in another hearing.

You are an attorney. Are you of counsel in this matter, on general matters, on retainer, on staff? What is your relationship to the company of Mr. Wackenhut?

Mr. BALDWIN. We have been retained in order to assist The Wackenhut Company in its internal review and investigation of this particular matter.

Mr. DEFAZIO. OK, then you may not be qualified for this. But there was significant discussion of the phone company tolls, the receipt of stolen documents from Mr. Gejdenson, including records of toll calls, and I guess my question would be, how would you determine whether or not such documents might or might not be legally obtained?

Mr. BALDWIN. I really can't answer your question, Congressman, not having done it. I mean, you are asking—I just don't have an investigative plan that detailed.

Mr. DEFAZIO. So we will deal with Mr. Richey on that.

To Mr. Wackenhut——

Mr. BALDWIN. Sir, are you asking me the legality of the possession of the toll record?

Mr. DEFAZIO. That's correct.

Mr. BALDWIN. All right. It is my understanding, preliminarily, it is my understanding that there is no Federal law that prohibits the sale or disclosure of telephone toll records, with one exception. There is a Federal statute that prohibits disclosure of those records to the U.S. Government, but expressly permits disclosure to anyone else.

Mr. DEFAZIO. But that is Federal law, but there would also be State law, and since we are dealing with, in the case of Alyeska, company policy or whether or not to determine whether something was privileged information and/or stolen, therefore whether or not it was legally restolen or stolen again from someone's house, it seems to me that you would need to go to a couple of other levels here, with the State law in the applicable State where the documents were obtained, and finally down to the level of what is the policy of that company, and whether or not the documents were legally obtained from that company itself.

Mr. BALDWIN. In regard to the documents, yes, sir, but in regard to the toll records in particular, which is what I was addressing, there is no law in the States of Alaska or Virginia that I am aware of that I have found yet in my research. That is not to say there is no such law, but I haven't found one yet that prohibits the disclosure of a telephone toll record.

Mr. DEFAZIO. Then in the case of documents at the Alyeska Company, which were perhaps stolen and sent to Mr. Hamel or others, and then were stolen by your operatives—excuse me, not your operatives, but the operatives of The Wackenhut Company, I guess the same conditions would apply, there is probably no law in Alaska about stealing it, taking a document from the Alyeska Company, just like there is no law in Alaska about phone company records. It is a company policy, it is proprietary information. There are no laws that cover proprietary information, company policies, phone company policies, Alyeska's policies, incorporated in the State of Alaska or——

Mr. BALDWIN. I am not in a position to answer your question in regard to Alyeska's policies at this point, and I am not in a position, unfortunately, to answer your questions regarding the law of Alaska.

Mr. DEFAZIO. OK, but as a general rule of law, something is labeled proprietary, and you know, the possessor of that document has not authorized its release. What, release of that document would violate a rule of law, or just sort of an internal ethical problem?

Mr. BALDWIN. Again, it would depend upon the State laws and the company policies.

Mr. DEFAZIO. OK. So we are pursuing an investigation where documents are stolen from someone's home in Virginia that purportedly are proprietary documents from the State of Alaska. You are stating it is legal to steal or resteal these documents because they were theoretically stolen documents, but you are not aware of the laws of Alaska on the proprietary nature; whether or not the laws of Alaska were violated in the removal of those documents.

Mr. BALDWIN. We do know Alyeska said their documents were taken and removed without their authorization. To that extent we know the policy of Alyeska was not to be giving out documents marked attorney-client privilege to Mr. Charles Hamel. That much is clear.

Mr. DEFAZIO. I understand that. But we are trying to justify theft from a home. And in justifying theft from a home, we are saying a company policy was violated. You can't have it both ways. If you can obtain the phone records, and that is just a company policy being violated, and it doesn't violate any laws, OK.

In this case, we have got a company policy being violated but it is OK to steal the records back. Your line of logic is not quite linked together, not quite internally consistent. You see where the point of discrepancy is.

You are saying you are pursuing an investigation in stealing these documents from Mr. Hamel, because they were stolen from the company, which you don't know if that violates Alaska law. On the other hand, in pursuit of this investigation you are obtaining documents from the phone company. You don't know if that violates phone company policy, but it doesn't violate any law. Neither of these things violates laws except the theft from Mr. Hamel's home.

Mr. BALDWIN. Except for the fact, I think, the purpose of the taking of the documents from Mr. Hamel's home, which I believe was to establish in an evidentiary fashion that this was, in fact, occurring and the documents had, in fact, been there, were in his home. The idea was to turn this over ultimately for civil or criminal litigation.

Mr. DEFAZIO. It just astounds me that, as an attorney, you think it would be legal to do that, to go into someone's home to remove a document in order to establish something. I am astounded. I am not an attorney. Perhaps my knowledge of law is greatly lacking, but I can't see that that is legal.

Yes, that's legal, but the taking or copying of documents from a company and mailing to someone is illegal clearly in your mind. It is pretty—if that's the state of the country, we are in worse trouble than I think. Mr. Wackenhut, in the phone calls that were intercepted—this came out yesterday—excuse me, I can't refer to yesterday—no, it was in the written statements of the—my recollection is a written statement of one of the witnesses yesterday, said that phone calls of Mr. Hamel were recorded, and I believe it has also been restated today in Virginia.

My understanding, he used to go out and walk around a park with a cellular phone and these were intercepted. Were they intercepted by voice or were they intercepted by—you know, through the transmission, i.e., was a device directed at Mr. Hamel so you could hear his end of the conversation, a listening device, or was an actual interception of the broadcast of a phone call taking place?

Mr. WACKENHUT. I don't know exactly how it was done, sir. All I know is that they did intercept those calls and record them. I don't know the technique used.

Mr. DEFAZIO. We have got a Senator in deep trouble in Virginia for having just possessed some tapes that someone recorded in such a manner in Virginia from cellular phone calls. Apparently, it is a

violation of law in the State of Virginia if the cellular phone calls were actually intercepted. Perhaps we can get to that at another point.

Just in reference to one of my colleague's earlier questions, do a lot of papers come across your desk, Mr. Wackenhut?

Mr. WACKENHUT. Yes, sir.

Mr. DEFAZIO. Piles and piles. If someone had sent you a document that—you know it was one of many documents, it was—you know, it had some bearing, it was somewhat important, but it was in your pile, do you keep track of every document on your desk on a daily basis and determine whether or not it is there tomorrow or next week if it is something that isn't just absolutely crucial on the top of your list?

Mr. WACKENHUT. Most of the papers I go through, sir, I mark for distribution and put them in my out box and then they are distributed.

Mr. DEFAZIO. So you might not miss something—you have seen it, you looked at it, filed it, and sent it to the appropriate person?

Mr. WACKENHUT. Quite possible.

Mr. DEFAZIO. OK. The point I am trying to make is, I think in the case of Mr. Hamel and many of the rest of us, you get a lot of mail and you don't necessarily notice something is missing until someday you are looking for it and you are not sure you misfiled it or sent it on to someone else, or what you did with it. I don't find it remarkable the gentleman didn't file a complaint for something he didn't know was missing.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Taylor, you passed on this round. Do you wish——

Mr. TAYLOR. Please.

Mr. Wackenhut, as I understood when you opened your statement, you pointed out that Mr. Hamel had said that he and the chairman of this committee were trying to set up the president of Alyeska, or was that someone from Alyeska that said that?

Mr. WACKENHUT. No, that was Mr. Hamel who said that—don't know it is a fact, but he did say it.

Mr. TAYLOR. I understand. You are going by the fact of what you recovered. Your company was brought in for what seemed probably at the beginning a regular industrial inquiry of material being taken, being stolen from the company—I am sure trade secrets and other things. This probably happens quite often, you probably participated in this before as far as trying to recover or find leaks of stolen information?

Mr. WACKENHUT. Yes, sir.

Mr. TAYLOR. So as you got into the regular procedures of trying to find this source or sources and trying to find who was receiving the stolen goods, Mr. Hamel, through his own statements, said that he was passing these stolen goods on to this congressional committee.

Mr. WACKENHUT. Yes, sir.

Mr. TAYLOR. I think as I read your request for legal opinion, that is not something you run into every day that most of the cases that you find that the stolen information winds up or maybe even be solicited by a committee of Congress.

Mr. WACKENHUT. It is not regular that that happened, correct.

Mr. TAYLOR. As I read the request for some sort of legal opinion, your opinion was not necessarily requested to see whether or not you could investigate this committee, but as a request of saying what do we do if we find these goods flowing to a congressional committee.

Suppose, for instance, a member of this committee wandered in while you were taping Mr. Hamel and the Ecolit folks and made some statement, "Where are my documents this month?" What do you do at that point?

Mr. WACKENHUT. As was pointed out in one of these memos that was just put before me this morning, sir, the instructions to Mr. Black were that, if he were to be introduced to a Congressman and Mr. Hamel wanted him to meet Mr. Miller or anyone else, he was to immediately identify himself as Wayne Black, not as Wayne Jenkins, and immediately discontinue all the surveillance activities.

Mr. TAYLOR. Thank you.

The CHAIRMAN. Thank you. Let me ask you a couple of questions.

You testified earlier that your son came to you; is that correct? Along with Mr. Bernstein; is that correct?

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. I don't know if they told you my name or not, but they told you a Congressman may be involved in the surveillance of Mr. Hamel?

Mr. WACKENHUT. Yes.

The CHAIRMAN. Then what transpired?

Mr. WACKENHUT. I wanted to make sure that they got legal advice immediately, because I didn't like the sound of that. They did and went with it to Mr. Richey, and the results were any investigation—alleged investigation or potential investigation of Congressmen should cease and desist right then.

The CHAIRMAN. When you say, to seek legal advice, was your discussion around that issue? What was the nature of that conversation?

Mr. WACKENHUT. It wasn't a lengthy conversation. I just wanted to be sure that we got Mr. Richey's advice on that. Mr. Black, himself, went down and contacted Mr. Richey and I wanted to know what his decision was. And it was not to do it.

The CHAIRMAN. That was on May 16?

Mr. WACKENHUT. My attorney tells me May 17. I don't know for sure.

The CHAIRMAN. May 17. When did they meet with Mr. Richey?

Mr. WACKENHUT. He tells me the conversation with Mr. Hamel was May 16 and he met with Mr. Richey on May 17.

The CHAIRMAN. On May 17. Then we have Mr. Richey's memo of May 22 that Mr. Richardson referred to. This all happened fairly consecutively.

Let me refer you to a document that I think we have labeled number 12. [See page 464.] It is my understanding this was again submitted to us under the request of subpoena. These are the notes of Mr. Richey's partner who was in the meeting with Mr. Richey and Mr. Black, to discuss this issue.

Apparently these are running notes of the meeting with backgrounds on who Mr. Wellington is, who Mr. Hermiller is, who Chuck Hamel is. It says he was the original subject of the investigation. Then on the next page it says, "if we're able to prove that Miller's goal is to enrich Hamell [sic], then it might be sufficient if he only receives the documents." So there was a discussion about what they might have to prove in this case.

Then he makes a notation on the next page. It says the "benefits of going after Miller"—and I believe, the "downside of going after Miller."

And he goes on to mention a possible "motion to suppress the documents—if we can prove that Miller encouraged theft." "[M]aybe suing Miller" was discussed, apparently, and "we need to approach the appropriate people in Congress to maintain confidentiality of the documents."

Then in the middle of that page he claims that the best goal is "getting Miller and Hamell [sic] indicted for encouraging theft of property."

"Hamell [sic] wants Miller to see Wayne Black to discuss how he and Miller can use the material. Wayne wants Miller to admit that he is using stolen documents." [See page 469.]

"Our investigation has reached the stage where we need to pursue allegations against Congressman." [See page 475.]

Mr. WACKENHUT. This document came to my attention only this past weekend and I personally spoke to the attorney that made these notes. These are not——

The CHAIRMAN. This is Mr. Goodman?

Mr. WACKENHUT. Mr. Goodman. These are not conversations. These are Mr. Goodman's notes as he was thinking through what should take place, and I think Mr. Richey can throw more light on this than I can, sir.

The CHAIRMAN. OK. So when Mr. Goodman states that the best goal is to get Miller and Hamel indicted, he is just sort of musing to himself. He is not responding to what is going on in the room. That is what you are telling us.

Mr. WACKENHUT. This was not as a result of what was going on in the room. This, as I understand it, took place after the meeting, and he was just making notes of the things that had been said.

The CHAIRMAN. When he says with a star next to it, "our investigation has reached a point where we need to prove allegations against the Congressman," these are just the musings of an attorney?

Mr. WACKENHUT. You know you are asking me to tell you what is in the mind of some attorney.

The CHAIRMAN. I am asking you what your impression is of that because you go from that to the point where the suggestion is that then there was this legal opinion drafted by Mr. Richey which concludes that you shouldn't do any of this. In fact, as Mr. Richardson points out, this legal opinion never arrives at that conclusion.

This legal opinion arrives at a decision that people will have to weigh the cost and the benefits of such actions. Whether you can assume different identities; whether you can tap. It really provides a road map should you decide to proceed against the Congressman, supposedly unknown to him, but nevertheless a Member of Con-

gress. And your statement was that the investigation included only a trip to the library and nothing more.

Mr. WACKENHUT. There was discussion, I have been told, with attorneys as to what Mr. Hamel was telling the investigators. Now the big question in everybody's mind then and now would be—and believe me, I am an expert on this, because our company in the last 3 months has been accused of everything but the invasion of Kuwait—that this discussion about Congressman Miller was coming from Hamel.

Was Hamel blowing smoke or did Hamel really have this in with you and was being encouraged by you to furnish stolen documents? That was the question at the time. Should we go further to attempt to identify that situation or not? The decision was not. That's the bottom line, sir.

The CHAIRMAN. I understand that's your testimony. As I believe we will see later this afternoon, the fact is the question was somewhat more open than that on this consideration. It is not as simple as your opening statement suggesting that the only thing that took place here was somebody went to the public library and returned, and that was the end of it.

Mr. WACKENHUT. Something overtly, yes, that was the overt action.

The CHAIRMAN. That is your testimony. I am suggesting it is not quite that simple. I think I am also suggesting, as Mr. Richardson started to suggest, that the focus still was on this committee.

Mr. WACKENHUT. No, not this committee.

The CHAIRMAN. That is your testimony. I am suggesting we will see, in fact, the focus was on this committee and on the staff of this committee much after you suggest people only went to the library.

Mr. WACKENHUT. Hopefully Mr. Richey can clear that up. I stand on my testimony, Congressman, that the committee was not involved, no other Congressman involved, no other Congressman's name was mentioned. It was your name. And you have continually felt that all this was to chill any investigative activity you were engaged in with this committee. From my standpoint, that was not the case.

The CHAIRMAN. Mr. Richardson.

Mr. RICHARDSON. Mr. Wackenhut, do you know who Daniel Lawn is?

Mr. WACKENHUT. No, sir, I don't. I know his name was mentioned in the investigation.

Mr. RICHARDSON. Daniel Lawn, at the time this document—Mr. Chairman, by the way, is financial records, credit information, which cannot be made public, but which every one of my colleagues has a copy of, it is the financial and credit information of Mr. Daniel Lawn.

Daniel Lawn, at the time these records were obtained, was at the State of Alaska's Department of Environmental Conservation. One of his areas, he oversees activities by Alyeska and other energy activities in the State of Alaska.

My question is: Why would an investigation on purloined documents obtain financial records of a public official like Mr. Daniel Lawn. This is case number 427, contact: Rick. It is a Wackenhut document.

Mr. WACKENHUT. I don't know, sir.

Mr. RICHARDSON. Does it strike you as strange that this kind of information would be obtained in the course of this investigation?

Mr. WACKENHUT. My understanding was that the investigators were attempting to find out as much as they could about people involved, either with Mr. Hamel or about Mr. Hamel. They were posing as environmentalists. They are not environmentalists. They don't know the names, they don't know the activities of the environmentalists, they were attempting to find out. That is my guess and that is all it is, because I don't know.

Mr. RICHARDSON. Daniel Lawn is a public official in charge of environmental conservation in the State of Alaska. Was there a suspicion that he was involved in some of the leaks?

Mr. WACKENHUT. I don't know. I don't think so.

Mr. RICHARDSON. Mr. Wackenhut, yesterday an employee—a former employee by the name of Mercy Cruz, in response to a subpoena, provided for the record—and this is for the public record, Rick Lund's charges on the telephone records, and I want to pass those on to you, because my understanding has been is that I guess we have had some difficulty obtaining some of the billing records from Wackenhut. [See page 481.]

Is it your understanding that these special services, as of March 1, 1990, the following charges are implemented? Is this correct information?

Mr. WACKENHUT. I don't know what this is, Congressman.

Mr. RICHARDSON. This is the amount of money that Mr. Lund paid for specific telephone information. This is according to Mercy Cruz, who submitted this for the record yesterday in response to a subpoena. She claims they are Rick Lund's charges, and she typed the list.

Mr. WACKENHUT. Well, I have no knowledge of this. I don't know what it is. If she said it was Mr. Lund's billing for something, perhaps it was. I don't know.

Mr. RICHARDSON. Mexican toll records, $175. U.S. Sprint, $95, verbal. Hard copy of total records, AT&T, $145. 60 days of posted toll records, $50. Names of nonpublished numbers, $175. Nonpublished number, address, $60. Canadian criminal, $120. Military criminal, $175. Credit card records, $85. Utility records, $85. You are not aware of it?

Mr. WACKENHUT. No. It's the first I have seen it.

Mr. RICHARDSON. I think here, May 23 document, Wackenhut report of investigation prepared for Alyeska you have in a chart Mr. Lawn as a source of a leak for Mr. Chuck Hamel—and I think you already have that. Associations. All right. It's the May 23 document given to Alyeska that you prepared. [See page 450.]

Mr. WACKENHUT. Not that I prepared, that Mr. Black apparently prepared, yes.

Mr. RICHARDSON. Right. Mr. Lawn's name is here along with Ken Adams, Price Ahtna, Robert Scott, Attorney General Bailey, Riki Ott, Gloria Ewell and George Miller.

Mr. WACKENHUT. I have never seen this before, sir.

Mr. RICHARDSON. Well, it was prepared by Wackenhut. This is the report of investigation prepared for Alyeska Pipeline.

Mr. WACKENHUT. Yes, according to the memorandum, it was prepared by Wayne Black for Mr. Wellington.

Mr. RICHARDSON. Why would the credit records of Mr. Lawn be part of this?

Mr. WACKENHUT. I answered that before, sir, I don't know.

Mr. RICHARDSON. Were credit records also obtained for Ken Adams and Price Ahtna and Robert Scott?

Mr. WACKENHUT. From this document, I would assume that these people were suspects as far as being sources of documents going to Hamel were concerned.

Mr. RICHARDSON. Who is Gloria Ewell?

Mr. WACKENHUT. Fictitious name, I am told, that was used as a mail drop for Mr. Hamel, so his name would not be found on the envelope.

Mr. RICHARDSON. Price Ahtna, who is that?

Mr. WACKENHUT. I have no idea.

Mr. RICHARDSON. Ken Adams.

Mr. WACKENHUT. I don't know that, either, sir.

Perhaps Mr. Wellington can explain this to you, I can't.

Mr. RICHARDSON. Why would Mr. Wellington? This is a Wackenhut report.

Mr. WACKENHUT. To Wellington.

Mr. RICHARDSON. But, was it not drafted by Wackenhut, by Wayne Black, May 23, 1990, to Mr. Wellington. Why are you putting it all on Mr. Wellington.

Mr. WACKENHUT. Because I don't know the answer. I am suggesting perhaps Mr. Wellington does.

Mr. RICHARDSON. Thirty other sources are also identified here as potential leaks. Did you find them?

Mr. WACKENHUT. I don't know how many were eventually found, but that was the purpose of the investigation as I said a number of times.

Mr. RICHARDSON. I understood you said you think there were about four or five sources.

Mr. WACKENHUT. That I think were definitely identified.

Mr. RICHARDSON. The thirty others were not.

Mr. WACKENHUT. I don't know, sir. Apparently they were suspected of being sources. Whether it was proven they were is another thing.

Mr. RICHARDSON. Mr. Wackenhut, you strike me as somebody that is very hands-on. You have obviously been very successful in your business and you do some very good work in my State, but it strikes me that you would not be aware of a report done by Mr. Black—this is the first big assignment for the investigation. Just strikes me—you are not aware of it?

Mr. WACKENHUT. No. I believe Mr. Bernstein was aware of this and he attended the various meetings held with Mr. Wellington, I did not.

Mr. RICHARDSON. Thank you, Mr. Chairman.

The CHAIRMAN. Who has questions? Mr. Marlenee?

Mr. MARLENEE. Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman. I have one additional document, apparently labeled item No. 4. Could the staff—a memo

to Pat Wellington from Wayne B. Black dated March 7, 1990. Could the staff provide a copy to the committee and Mr. Wackenhut? [See page 482.]

Mr. DEFAZIO. We'll give you a minute or two to read this. Quite short.

This goes in particular to my last line of questioning which dealt with the legality or illegality of stealing documents which are alleged to have been stolen and stealing those documents from Mr. Hamel. In the last round, I concentrated on how this paralleled the receiving of documents from the phone company which might violate phone company policies.

Now I would like to expand a little bit on that and look at—I guess Mr. Black is not an attorney; is that correct?

Mr. WACKENHUT. That's correct.

Mr. DEFAZIO. So although this sounds like the rendering of some sort of legal judgment, or legal advice, it is really just sort of a musing by Mr. Black on this issue.

Now it says here that—and either of you can address this. If you recall my former line of questioning, it was the propriety or how anyone could think it was potentially proper to steal the documents from Mr. Hamel's House. The gist was, if they were stolen documents and a violation of law occurred in the original obtaining of the documents, then those documents would not be—would be OK to steal them again.

Now here we are talking about State law and Federal law, and we are talking about the Whistleblower Protection Act. It says under Federal law it would be disclosure of the information to anyone, which is considered protected. I guess probably your attorney—do you share Mr. Black's legal opinion here?

Mr. BALDWIN. Congressman, I don't know. I haven't done research on the Federal or State law, whistleblower laws.

Mr. DEFAZIO. The next says there may be a secrecy provision which would prevent an employee from disclosing proprietary information.

Are you aware of Alyeska having a secrecy provision similar to that which is described here?

Mr. WACKENHUT. No, sir. I am sure the Alyeska people can answer that.

Mr. DEFAZIO. I am asking your attorney because he's been doing research on this.

Mr. BALDWIN. No, sir. I don't know yet if Alyeska has such a policy.

Mr. DEFAZIO. So you don't know if they have a secrecy policy. We don't know if the laws of Alaska would allow disclosure. According to Mr. Black, it may be all right under Federal law, the whistleblower to disclose such information. Then how do we reach the conclusion it was somehow proper to steal the documents which are alleged to have been stolen from Mr. Hamel's House? What do we base that on?

Mr. BALDWIN. Congressman, if a piece of property—if a piece of property is identified as an attorney-client document, and the individual that that document was taken from is aware that that document is gone, then you either waive the privilege by not trying to

get it back, or you try and get it back and thereby retain the privilege.

A lot of these documents were marked clearly as attorney-client documents. And whether Alyeska has a policy in regard to all of its documents or specific documents, it quite clearly, by marking a legal document as attorney-client privilege, would be stating its policy that this is not to be disclosed.

Mr. DEFAZIO. Well, this is really a tangled web we weave. We enter into a home in Virginia and we steal some documents from that home while employees of The Wackenhut Company, under contract to the Alyeska Pipeline Company—we have Federal laws, State laws, company policies involved, yet we don't seem to know if, you know, any of those were violated except probably the theft of the document from Mr. Hamel's home.

I mean, that is pretty clearly problematic under Virginia law, wouldn't you think? I know you're not an expert on Virginia law, but I think that's a little bit problematic. If someone comes into my house and picks up a letter off my desk and takes it out and doesn't ask me if they could remove it, I think, whether or not I filed a complaint over the next 18 months and missed that document, if I find out subsequently I think perhaps they have a problem.

Mr. BALDWIN. I think if it is their letter, it is a different situation.

Mr. DEFAZIO. If it is their letter, if it's a copy of that letter, is that the situation? If it's not the actual letter, but a copy?

Mr. BALDWIN. I don't know. We don't know what that situation was. It's hard to address.

Mr. DEFAZIO. Right. Someone removed the documents but we don't know what the situation was. I would hope The Wackenhut Company doesn't normally engage in such practices of removing letters from people's home, and not knowing what the situation was, what the company policies were, what the laws of various States were, and how it might or might not pertain to Federal law. Is that a normal practice, Mr. Wackenhut, of your company and/or your special investigation division?

Mr. WACKENHUT. We are looking into that right now, Congressman. That is why we have a special committee of the board as well as a battery of attorneys researching into this. They are researching the law to find out. As the board will determine, if there have been irregularities, we will certainly fix them.

Mr. DEFAZIO. Well, I am not sure how you fix something like this, but I guess that is the end of my questioning.

Thank you, Mr. Chairman.

Mr. YOUNG. Are we going to take a break?

The CHAIRMAN. Thank you.

I would like to finish with Mr. Wackenhut.

Mr. TAYLOR. I was hoping we could get along since Mr. Wackenhut, clearly from what he is saying, a lot of the information is with two witnesses coming beyond him. I would hope we could get to them as quickly as possible.

The CHAIRMAN. Our problem is Mr. Wackenhut is the only management that we have access to at this time and his company ran this investigation, so we are doing the best we can to determine the

information that he has available to him that will be helpful to this committee.

Mr. TAYLOR. Might we reserve his right to come back?

The CHAIRMAN. We are going to reserve that right, yes.

Mr. Richardson.

Mr. RICHARDSON. Mr. Chairman, I have one question. It is a rather long one. Mr. Wackenhut, I want to refer to a memorandum from Rick Lund and Gary Crep, April 23, 1990 to Pat Wellington, undercover investigation Valdez, Alaska. [See page 483.]

Mr. RICHARDSON. Now this memorandum—first of all, do you have that?

Mr. WACKENHUT. No. No, sir, I don't.

Mr. RICHARDSON. April 23, 1990.

The CHAIRMAN. Let's wait until the——

Mr. TAYLOR. Do we have it, Mr. Chairman?

Mr. WACKENHUT. Go ahead, sir.

Mr. RICHARDSON. This memorandum from Mr. Lund to Mr. Wellington describes a trip to Valdez by Lund and another Wackenhut investigator by the name of Gary Crep. As you can see, the memo describes in detail the activities of Mr. Lund and Mr. Crep for over 1 week.

What they did in this investigation is they installed covert video equipment in a hotel room for the purpose of recording conversation—whose conversations? They intended to lure Alyeska employees and other citizens of Valdez into the wired room under the pretext of being Ecolit researchers looking for information about Alyeska and the oil companies.

Don't you think, Mr. Wackenhut, this is casting the net a little far if the purpose is to find the source inside Alyeska who leaked legal documents?

Mr. WACKENHUT. Again, I am not privy to what they had in mind, but I would think that in Valdez the majority of people there that could possibly answer the advertisement or come forward in any way would be Alyeska employees. And if you keep in mind the object of the investigation was to find out who was taking the documents and sending them to Mr. Hamel.

It was all part of what we were trying to do. It was an effort to get names and find out if they could possibly be the ones involved and plug the leak. That was the center and circumference of the entire investigation.

Mr. RICHARDSON. I understand, but what do you suppose Mr. Lund would have done had some unsuspecting Alyeska employee been videotaped giving him information on serious violations of environmental regulations? Don't you think those tapes would have been turned over to Alyeska?

Mr. WACKENHUT. I can only speculate again, Mr. Richardson. I would imagine if there were violations found in connection with the operation up there, that the first people we would go to would be the Alyeska people with the recommendation that they have a problem and that they should take some action on it. We would also seek legal advice to find out if we had the legal requirement to report this as far as an environmental problem was concerned.

Mr. RICHARDSON. I understand. The thrust of this question is this investigation is beyond the bounds of what—of just determining what you need to know.

Let me give you a case in point. This memorandum also describes Lund's and Crep's meetings with an individual named Bob Swift. Bob Swift is a Valdez bartender who they met in his place of business. This man was originally from Florida and befriended them.

They talked for hours, local businesses, met him for dinner another night and even stopped to say goodbye before leaving. Yet at the same time they are befriending him, they are also checking him out. What did they obtain? Motor vehicle registration, driver's license, police department, property and financial information about Mr. Swift.

This information is part of the committee record, but we see no reason to release it public. Any Member who wishes to see it may do so. My question is: What would be the connection with Mr. Bob Swift, a Valdez bartender and the stolen documents of Alyeska?

Mr. WACKENHUT. Again, speculation on my part, sir. It would be to develop contacts in and around Valdez to again get to the source.

Mr. RICHARDSON. And you need this guy's driver's license information, police records, vehicles registered in Florida, his property, financial information, Social Security number.

Mr. WACKENHUT. Just to know who they are dealing with, I guess.

Mr. RICHARDSON. I mean this guy bought him a drink, had dinner with them and he is investigated.

My point here is, I don't want to overdo this, but is there anyone who isn't fair game for your investigators? Don't you feel looking back in hindsight that this investigation was a little bit overdone?

Mr. WACKENHUT. We will determine that as we continue on with our own internal investigation, Mr. Richardson.

Mr. RICHARDSON. You are doing that? Your own inspectors general are doing that?

Mr. WACKENHUT. No, an outside law firm is doing it, together with a board of directors of the company. We are very serious about this whole thing.

The CHAIRMAN. Thank you.

Mr. Taylor.

Mr. TAYLOR. No, I'm ready to say goodbye to Mr. Wackenhut and go on to the other two.

The CHAIRMAN. Mr. Wackenhut, let me have you look at a document from the Ecolit Group, from Mr. Wayne Jenkins, Ph.D., which we have established clearly is Mr. Wayne Black. [See page 499.] That is correct, right, in your testimony and elsewhere we established that Ecolit is a phony environmental group created for the purposes of this investigation. We have established that.

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. Mr. Jenkins is the pseudonym that Mr. Black was using for the purposes of this investigation.

The letter is written to Mr. Ken Ewell, who is CEO of Management Information Technologies, Inc., known as MITI, a computer company in which Mr. Hamel owns a part interest. The letter here

is unsigned, but Mr. Black admitted to the attorneys representing Alyeska's Owners Committee he sent it to Mr. Hamel and MITI by telefax.

The letter says, "Dear Ken: We enjoyed meeting with Charles Hamel, Richard and you yesterday regarding your software. I would like to propose the following:

"Please consider providing the software to us for use and demonstration through our contacts in the legal community in South Florida and various parts in the United States. In return, we will critique the software as it applies to being friendly to paralegals and lawyers. When the software becomes the catalyst in a win in one of our cases, we will reimburse you for the costs. In the meantime, you would have our feedback as to how the software works.

"Thanks again for the visit and demonstration and for your consideration of this proposal.

So we now know—and, Mr. Wackenhut, you know—that Dr. Wayne Jenkins, Mr. Black, obtained this software free of charge, if you will, based upon this representation?

Mr. WACKENHUT. I learned about this just this past week. We were charged for it, $6,000 if I am not mistaken, which wasn't paid when we sent it back. I am advised by my attorneys that MITI and Mr. Hamel used the readware to store information stolen from Alyeska. In an effort to recover the stolen documents, the investigator responded positively to Mr. Hamel's offer to use that software. There was no intent to defraud anyone. There was only an attempt to secure evidence of Hamel's and MITI's criminal acts and turn that evidence ove to prosecutors and the courts.

The CHAIRMAN. According to that statement, this would fall under your traditional and standard ways of pursuing the investigation?

Mr. WACKENHUT. This particular investigation, apparently.

The CHAIRMAN. What does that mean, this particular investigation? Is this in conformity with, everything we do at Wackenhut is legal and that this is standard and traditional?

Mr. WACKENHUT. You keep bringing up standard and traditional in a case that was not standard and not traditional. Everything that happened had to be discussed and had to be handled at that particular time. There was no instruction book we could turn to or the investigators could turn to in these matters.

The CHAIRMAN. Well, let me refer you to the Report to the Owners Committee of the Alyeska Pipeline Service Company. [See page 500.] For the record, this is from Paul, Hastings law firm which is where, Los Angeles; is that correct?

Mr. WACKENHUT. Yes.

The CHAIRMAN. First, let me say, on page 40 of that, you just said you had the belief Alyeska documents had been input by MITI into the MITI software. That that turned out to be erroneous and Mr. Lund apparently learned that.

But also, let me suggest that, when you say everything in this investigation was somehow special and therefore had special rules that were not standard, apparently that was also determined by Paul, Hastings when they reviewed the liability of the Owner Companies. They say, "With respect to both mail fraud and wire fraud, because Wackenhut used the U.S. Postal Service in the operation

of Ecolit, engaged in interstate telephone and telefax communication to establish and maintain Ecolit, and engaged in interstate telefax and telephone communication to induce MITI to provide Wackenhut with the software program, a Federal prosecution could be brought under either or both of the mail fraud and wire fraud statutes." [See page 551.]

Mr. JORDAN. Mr. Chairman, I am counsel for Alyeska. I believe this document is being distributed to the press. I understood under the procedure adopted, the chairman was to make the determination about the use of documents provided under Executive Session agreement for use of the Members in connection with the conduct of this hearing. I don't believe we contemplated their use and distribution to the press.

The CHAIRMAN. No, that contemplated their distribution for the record and distribution for all parties.

On page 45, "[a] computer software program has been held to be property or goods for the purpose of the interstate transportation of stolen property. See *United States* v. *Riggs,* 739 F. Supp. 414. . . . A Federal action could be brought under the interstate transportation of stolen goods statute assuming that the MITI software program is of a value of more than $5,000 and was transported across State lines." That doesn't sound like everything is legal at Wackenhut and that you have standard procedures.

Mr. WACKENHUT. Have I said 100 times we don't have standard procedures for an unusual investigation.

The CHAIRMAN. What are the guidelines for an unusual investigation, Mr. Wackenhut?

Mr. WACKENHUT. As I said before, sir, we take them as they come and check with the attorneys, and I think Mr. Richey will discuss this to your satisfaction.

The CHAIRMAN. With all due respect to Mr. Richey and your firm, this review after the fact by the Owner Companies suggests these activities that were ongoing in this investigation, and not just this activity with respect to MITI and this letter, run afoul of the law throughout the process.

When was this checking with the attorneys done? Did they check with the attorneys before they could check on a bartender who bought them a drink in Alaska?

Mr. WACKENHUT. Our outside attorneys don't believe that the conclusions reached by this law firm are accurate.

The CHAIRMAN. That is why they make more than one law firm.

Mr. WACKENHUT. I guess so.

Mr. YOUNG. God help us.

The CHAIRMAN. So your outside attorneys believe these actions were all legal. As you stumbled across environmental groups and picked up their trash, as your investigators stumbled across a bartender, as your investigators stumbled into Mr. Hamel's house, that was legal. As they misrepresented themselves to a computer firm that had a valuable work product, that was legal. Their misrepresentations as the Ecolit Group to other parties were all legal.

Their attorneys have told the Owner Companies they are exposing themselves to legal liability. The Owner Companies, as far as I know, were not out doing this. Alyeska was their agent, and you became Alyeska's agent for the purpose of this investigation.

Mr. WACKENHUT. Yes, sir, if I can practice——

The CHAIRMAN. Whether identities are shielded, apparently there is some discussion within the Owner Companies and within the law firm that that may be pierced for the purposes of legal liability.

Mr. WACKENHUT. If I can practice law without a license for just a moment, sir, I understand to have fraud you have to have intent. There was no intent to defraud. The equipment was sent back.

The equipment, as a matter of fact, was never used. It had been expected to be used. The idea was to get the names that were in that computer, again looking for the Alyeska leak. It all goes back to the same thing.

The CHAIRMAN. There was no intent when Mr. Jenkins signed this letter under a phony letterhead, under a phony name? There was no intent?

Mr. WACKENHUT. Yes, sir, no intent.

The CHAIRMAN. It is good you don't have a license to practice law.

Mr. WACKENHUT. No intent to defraud.

The CHAIRMAN. I guess that is why there is a rhyme and reason to law school.

Mr. YOUNG. I haven't seen it yet.

The CHAIRMAN. Is that what you want? You want us to believe there was no intent.

Mr. WACKENHUT. To defraud. There was no intent to defraud.

The CHAIRMAN. Well, let's just take that apart for a second here. You said you took this for the purpose of seeing whether that software had Alyeska documents loaded on it; is that correct?

Mr. WACKENHUT. That is what I am told.

The CHAIRMAN. The letter says you were going to use it in litigation on behalf of environmental causes in south Florida and elsewhere. Maybe Mr. Black was under the influence of drugs or something when he wrote that so he wouldn't have intent. What is going on here?

In the conversation in my office, and you repeated it here this morning, that an old and dear client came to you with a problem and you wanted to perform on behalf of that client, the Alyeska Corporation. You have had an ongoing contract with Alyeska for a period of years which, by your own admission, is a substantial part of your business, substantial revenues.

Mr. WACKENHUT. Yes, sir.

The CHAIRMAN. This is what they get back? This is what they got back. They got back a 95-page memo discussing their exposure to State and Federal law. Got themselves a congressional hearing and exposure to rather substantial civil litigation.

Mr. Wackenhut, why did the Owner Companies call off the investigation?

Mr. WACKENHUT. I have no idea, sir.

The CHAIRMAN. Mr. Wackenhut, you are the CEO and president of a corporation that bears your name. An old and dear client just called off his relationship with your newly formed investigative unit. That investigation again represents a service you tried to provide to a client with which you have a much larger contract, and you have no idea?

Mr. WACKENHUT. No, sir I have no idea why they canceled the investigation. They can tell you, I am sure. I don't know.

The CHAIRMAN. You don't have any idea what the functionaries in your company at the lower level are doing, and you don't have any reasons, any idea why major clients of yours cancel contracts. What do you have an idea about other than apparently there was not the intent to defraud.

Mr. WACKENHUT. They canceled the investigation. A client can stop or start an investigation whenever he chooses.

The CHAIRMAN. You would not ordinarily be concerned when this happens. United Airlines runs a commercial flight and a client says, we are not using this anymore, folks. What are they going to do? They are going to find out why. They go out flying around to bring the business back. But this is just sort of, well, I guess it didn't work out?

Who are we talking about here. We are talking about major international oil companies that run a system that provides 25 percent of the domestic oil to this country through an integrated transportation system for which you are responsible for providing the security. They tell you they have a major headache, and they do. Mr. Hamel, through all of his actions with respect to this company has caused this entity, Alyeska, to spend tens of millions of dollars complying with the law where they were not previously in compliance, apparently due to information supplied by Mr. Hamel to the EPA, to the United States Senate, to the House of Representatives, and to various State and local jurisdictions. They have got a problem out there.

They come to you to solve that problem, and you deliver to them Mr. Scott who they deliver to you because of a handwriting analysis done even before Wackenhut was brought in. Now that doesn't sound like a corporate relationship where the CEO just walks away and says, I don't know why they canceled this.

Have you been in communication with the Alyeska Corporation about this?

Mr. WACKENHUT. Mr. Bernstein has been.

The CHAIRMAN. Mr. Bernstein has been, but has he told you?

Mr. WACKENHUT. With Mr. Wellington.

To my knowledge Alyeska has not told us why the investigation was stopped, and I don't know why.

The CHAIRMAN. OK. That's your testimony.

Mr. Young.

Mr. YOUNG. Are we through?

The CHAIRMAN. I'm through. Any further questions?

Mr. YOUNG. Mr. Chairman, I just want to make one comment to Mr. Wackenhut. You have been asked a lot of questions and you answered them to the best of your ability. I also would suggest one of the greatest fears of a Congressman is to be at the witness table. You have been there for now 2½ to 3½ hours.

I have had the ability to get up and go do other things and I want to compliment you, as I will every witness, on their presentation of what they believe happened. Our role in this committee is to find out all the facts without having any preconceived ideas.

I will say, though, Mr. Chairman, I want to know the ground rules because the gentleman interrupted the hearings on what will

be submitted and what will not be submitted and what will be given the press. It is my understanding that everything that you and I have received now is available to the press or is that at a later date?

The CHAIRMAN. It's available to the press and a part of the record of this committee. This is the public portion of this hearing.

Mr. YOUNG. Everything said in this committee other than the Executive Session.

The CHAIRMAN. Correct.

Mr. YOUNG. Everything submitted or anything asked to be submitted.

The CHAIRMAN. Subcommitted by a Member of the committee. Yes.

Mr. YOUNG. Any Member of the committee that requests any documentation given to us by Alyeska or Wackenhut will be at the request of any Member available to the general public.

The CHAIRMAN. No, as the previous agreement between the Chair and the gentleman from Alaska, that is a matter of negotiation between us because, as we know, some documents that were given to us are private. They involve parties, private lives, that are not related to this discussion and there were expectations as to privacy when they were delivered to the committee.

Mr. YOUNG. I just——

The CHAIRMAN. Documentation can be offered for that purpose, and then we will have to make a determination.

It is the intent of the committee to recess for an hour.

Mr. Wackenhut, we thank you for your time and your testimony. As pointed out by Mr. Taylor, we do reserve the right to recall you as we proceed through this ongoing investigation. Thank you.

Mr. WACKENHUT. I'll be here. Thank you.

[After recess.]

The CHAIRMAN. The committee will reconvene for the purposes of taking testimony from Mr. William Richey, outside counsel of the Alyeska Pipeline Service Company; Mr. James Hermiller, president of the Alyeska Pipeline Service Company; Mr. J. Patrick Wellington, manager, Corporate Security, Alyeska Pipeline Service Company.

It is the practice of this committee to swear all witnesses who appear before it at investigative hearings. Do you have any objection to being sworn? Will you please rise?

[Witnesses sworn.]

The CHAIRMAN. In order to inform you of your rights as witnesses before the committee and the limitations of the authority of the committee, the rules of the committee are before you on the table and both sets have been provided to you previously.

You are advised of your right to counsel. The role of counsel would be to advise you of your constitutional rights. Do you desire to be represented by counsel? Yes, no, and otherwise. Mr. Richey, do you have counsel?

Mr. RICHEY. Mr. Jordan is my counsel.

The CHAIRMAN. Would you, the counsel, identify themselves?

Mr. FEFFER. My name is Gerald A. Feffer. I am an attorney practicing in Washington, DC., and I am counsel for Mr. Hermiller.

Mr. JORDAN. I am Robert Jordan, an attorney practicing in Washington, DC. I am counsel for Alyeska and also counsel for Mr. Richey here today.

Mr. WEBSTER. I am Kenly Webster, an attorney practicing in Washington, DC., and I am attorney here today for Pat Wellington.

The CHAIRMAN. Mr. Richey, we will begin with your statement.

PANEL CONSISTING OF WILLIAM RICHEY, ESQUIRE, OUTSIDE COUNSEL, ALYESKA PIPELINE SERVICE COMPANY; JAMES B. HERMILLER, PRESIDENT, ALYESKA PIPELINE SERVICE COMPANY; AND J. PATRICK WELLINGTON, MANAGER, CORPORATE SECURITY

Mr. RICHEY. Thank you very much, Mr. Chairman, Mr. Young, and Members of the committee. Good afternoon. My name is William Richey and I am a partner at the Miami, Florida, law firm of Richey, Munroe, Fine, Goodman and Armstrong.

I am a graduate of Harvard Law School and have practiced law for the past 17 years. Before entering private practice, I was a prosecuting attorney with the Florida State Attorney's Office in Miami, 11th Judicial Circuit, where I served as the Chief of the Organized Crime and Public Corruption Unit, and later was appointed chief assistant State attorney.

Since leaving that position in 1981, my practice has focused primarily on commercial fraud litigation and white collar criminal defense.

I am here to testify today about my knowledge of facts relating to the Wackenhut investigation. Let me begin by describing my initial involvement in that investigation and my perceptions about its purpose.

I first became involved in the investigation on May 17, 1990, when Wayne Black called to retain our services in connection with what he described as an undercover operation. He gave me a brief overview of the investigation on the telephone, and later that day he met with me and with my partner, Jonathan Goodman, to provide additional background on the case.

He explained to us that sensitive, highly confidential materials, including documents protected by the attorney-client privilege, were being systematically stolen from Alyeska and that Wackenhut had been hired to find the source of these and other document thefts and, if possible, to secure the return of the documents. I understood that this was the sole purpose of the investigation, and I perceived no hidden agenda to target you, Mr. Chairman, or any other Members of this committee or its staff.

In this regard, I would like to explain the context of my firm's May 22, 1990 legal opinion letter that has been the object of commentary in the press. At our first meeting with Mr. Black, he told us that on the previous day, within the previous 24 hours, he had seen numerous attorney-client privileged documents belonging to Alyeska at the home of Charles Hamel, who had been identified as a likely recipient of stolen company documents.

He also informed us that Mr. Hamel had commented frequently about his close relationship with Congressman Miller and that Mr.

Hamel asserted that he had provided the Congressman with information obtained from the stolen documents.

It was my perception that Mr. Black was surprised by the extent of Mr. Hamel's purported relationship with Congressman Miller, and that his request for our legal advice reflected concern about the impact of this development on the investigation. We advised Alyeska that special care would be necessary to avoid any risk that the investigation could be misinterpreted as an attempt to interfere with Mr. Hamel's access to the committee.

Mr. Black asked us to set forth the basis for our concerns in a formal opinion letter and to research as well the legality of recording conversations in Virginia, Maryland and the District of Columbia.

For my part, I asked Mr. Black to obtain some biographical information to use as background for our opinion. I recall wanting to know in particular whether you were an attorney, Mr. Chairman, since an attorney would certainly appreciate the ramifications of possessing stolen attorney-client privileged documents.

One of Wackenhut's investigators obtained the information I requested from a public library, and delivered it to my offices the next day. I have attached copies of these materials to my statement. As you can see, they are routine, public source documents readily available at any library. To my knowledge, Wackenhut never made copies of these materials, and I have been informed that no additional background information about you was ever collected during the investigation.

We completed our opinion letter on May 22, and I believe that it was presented to Mr. Wellington at a meeting the following day. I also understand that it was decided at that meeting to continue with the existing investigation, but with the clear understanding that no steps would be taken that involved any Congressman in any way, and that the investigation would be terminated if it was learned that Mr. Hamel was, in fact, an agent of Congressman Miller or this committee. To my knowledge, these rules governed the investigation throughout its course from that point forward.

After furnishing our May 22 opinion letter, Mr. Black kept us generally informed of the investigation's progress. He periodically called us for legal advice on specific matters, which we provided.

We also attended meetings on August 3 and September 20, 1990, where the status of the investigation was reviewed. We also discussed potential strategies at these meetings, including pursuing both civil and criminal remedies against Mr. Hamel.

Since it was contemplated that the fruits of the investigation would be made public and used in court, it was my impression that everyone present understood the importance of conducting the investigation entirely within legal bounds.

I would like to comment on some of the investigative techniques used in this case. I fully understood that Wackenhut was collecting abandoned trash, purchasing telephone toll records, and videotaping and recording its encounters with Mr. Hamel. Each of these practices can be undertaken legally, and I was confident that Mr. Black, who I knew had substantial experience in such matters, understood how to do so.

These techniques may seem intrusive, but the fact is that they are common investigative practices in cases involving fraud and criminal wrongdoing, and in my opinion, were wholly appropriate to this case. You simply cannot rely on traditional investigative techniques or the civil discovery process to obtain information from individuals who, like Mr. Hamel, are known to be trafficking in stolen goods or information.

These status conferences also reinforced my impression that the only purpose of the investigation was to determine the source of the leak within Alyeska and secure the return of the stolen proprietary information. I recall that Mr. Wellington, in particular, stressed the importance of remaining focused on this goal at both meetings I attended.

Shortly after the second status conference, I received a telephone call from Lon Trotter of Alyeska, who informed me that the investigation had been shut down by the companies that own Alyeska and no action against Mr. Hamel was likely to be pursued.

We had discussed this possibility at the September 20 meeting. We had concluded that ending the investigation in such an abrupt manner would be ill advised, because it would taint a wholly appropriate and well-run investigation with the appearance of a coverup.

Moreover, in my view, the plan to file a civil suit against Mr. Hamel to recover the stolen documents should have gone forward, notwithstanding the decision to terminate the investigation.

In addition to telling me that the investigation had been terminated, Mr. Trotter asked for our advice on a number of legal questions relating to that decision. One issue he raised was the legal consequence of destroying investigation files.

I must emphasize, however, that Mr. Trotter was not seeking legal support for a decision to destroy the files. To the contrary, it was my distinct impression that he wanted to be able to advise against any such course of action should the issue ever arise. To my knowledge, it never did.

We provided Mr. Trotter with a legal opinion on this and other issues on January 17, 1991, after which our involvement in this case effectively came to a close until this committee's inquiry began in August.

Mr. Chairman, I hope my testimony has been helpful and I am prepared to answer any questions you or any other committee Members may have in an attempt to assist this committee in understanding what I know about the process and what happened here.

The CHAIRMAN. Thank you.

[Prepared statement of Mr. Richey, with attachments, follows:]

TESTIMONY OF WILLIAM L. RICHEY

Mr. Chairman, Mr. Young, Members of the Committee:

Good Afternoon. My name is William Richey and I am a partner at the Miami law firm of Richey, Munroe, Fine, Goodman and Armstrong. I am a graduate of Harvard Law School and have practiced law for the past seventeen years. Before entering private practice, I was a prosecuting attorney with the Florida State Attorney's office, where I served as the Chief of the Organized Crime and Public Corruption Unit and later was appointed Chief Assistant State Attorney. Since leaving that position in 1981, my practice has focused primarily on commercial fraud litigation and white collar criminal defense.

I am here to testify today about my knowledge of facts relating to the Wackenhut investigation. Let me begin by describing my initial involvement in that investigation and my perceptions about its purpose. I first became involved in the investigation on May 17, 1990, when Wayne Black called to retain our services in connection with what he described as an undercover operation. He gave me a brief overview of the investigation on the telephone, and later that day he met with me and my partner, Jonathan Goodman, to provide additional background on the case.

He explained to us that sensitive, highly confidential materials, including documents protected by the attorney-client privilege, were being systematically stolen from Alyeska and that

Wackenhut had been hired to find the source of these and other document thefts and, if possible, to secure the return of the documents. I understood that this was the sole purpose of the investigation, and I perceived no hidden agenda to target you, Mr. Chairman, or any other Members of this Committee or its staff.

In this regard, I would like to explain the context of my firm's May 22, 1990 legal opinion letter that has been the object of commentary in the press. At our first meeting with Mr. Black, he told us that on the previous day he had seen numerous attorney-client privileged documents belonging to Alyeska at the home of Charles Hamel, who had been identified as a likely recipient of stolen company documents. He also informed us that Mr. Hamel had commented frequently about his close relationship with Congressman Miller and that Mr. Hamel asserted that he had provided the Congressman with information obtained from the stolen documents.

It was my perception that Mr. Black was surprised by the extent of Mr. Hamel's purported relationship with Congressman Miller, and that his request for our legal advice reflected his concern about the impact of this development on the investigation. We advised Alyeska that special care would be necessary to avoid any risk that the investigation could be misinterpreted as an attempt to interfere with Mr. Hamel's access to the Committee.

Mr. Black asked us to set forth the basis for our concerns in a formal opinion letter and to research as well the legality of

recording conversations in Virginia, Maryland and the District of Columbia. For my part, I asked Mr. Black to obtain some biographical information to use as background for our opinion. I recall wanting to know in particular whether you were an attorney, since an attorney would certainly appreciate the ramifications of possessing stolen attorney-client privileged documents. One of Wackenhut's investigators obtained the information I requested from a public library, and delivered it to my offices the next day. I have attached copies of these materials to my statement. As you can see, they are routine, public source documents readily available at any library. To my knowledge, Wackenhut never made copies of these materials, and I have been informed that no additional background information about you was ever collected during the investigation.

We completed our opinion letter on May 22, and I believe that it was presented to Mr. Wellington at a meeting the following day. I also understand that it was decided at that meeting to continue with the existing investigation, but with the clear understanding that no steps would be taken that involved any Congressman in any way, and that the investigation would be terminated if it was learned that Mr. Hamel was, in fact, an agent of Congressman Miller or this Committee. To my knowledge, these rules governed the investigation throughout its course.

After furnishing our May 22 opinion letter, Mr. Black kept us generally informed of the investigation's progress. He

periodically called us for legal advice on specific matters, which we provided. We also attended meetings on August 3 and September 20, 1990, where the status of the investigation was reviewed. We also discussed potential strategies at these meetings, including pursuing both civil and criminal remedies against Mr. Hamel. Since it was contemplated that the fruits of the investigation would be made public and used in court, it was my impression that everyone present understood the importance of conducting the investigation entirely within legal bounds.

I would like to comment on some of the investigative techniques used in this case. I fully understood that Wackenhut was collecting abandoned trash, purchasing telephone toll call records, and videotaping and recording its encounters with Mr. Hamel. Each of these practices can be undertaken legally, and I was confident that Mr. Black, who I knew had substantial experience in such matters, understood how to do so. These techniques may seem intrusive, but the fact is that they are common investigative practices in cases involving fraud and criminal wrongdoing, and in my opinion, were wholly appropriate in this case. You simply cannot rely on traditional investigative techniques or the civil discovery process to obtain information from individuals who, like Mr. Hamel, are known to be trafficking in stolen goods or information.

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of the leak within Alyeska and secure the return of the stolen proprietary information. I recall that Mr. Wellington, in particular, stressed the importance of remaining focused on this goal at both meetings I attended.

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In addition to telling me that the investigation had been terminated, Mr. Trotter asked for our advice on a number of legal questions relating to that decision. One issue he raised was the legal consequence of destroying the investigation files. I must emphasize, however, that Mr. Trotter was not seeking legal support for a decision to destroy the investigation documents. To the contrary, it was my distinct impression that he wanted to be able to advise against any such course of action should the issue ever arise. To my knowledge, it never did. We provided Mr. Trotter

with a legal opinion on this and other issues on January 17, 1991, after which our involvement in the case effectively came to a close until this Committee's inquiry began in August.

Mr. Chairman, I hope that my testimony has been helpful and I am prepared to answer any questions you or other Committee Members might have.

STATE OF FLORIDA
COUNTY OF DADE

Before me, the undersigned authority, personally appeared William L. Richey, who is personally known by me and who is the person whose name is subscribed to the foregoing documents. After being duly sworn by me, William L. Richey has declared that the statements therein contained are true and correct.

Witness my hand and official seal, this 31st day of October, 1991.

Karen J. Gackle
Notary Public, State of Florida

My Commission Expires:

Karen J. Gackle, Notary Public
Dade County, State of Florida
My Commission Expires Dec 4, 1993

George Miller



D-California, 7th District
Began Service: 1975

2228 Rayburn House
Office Building
Washington, DC 20515-0507

(202) 225-2095

BIOGRAPHICAL Born: 5/17/45 • Home: Martinez • Educ.: B.A., San Francisco State Col.; J.D., U. of Cal. (Davis) • Prof.: Attorney • Rel.: Catholic

KEY STAFF AIDES

Name/Position	Legislative Responsibility
John Lawrence Admin. Asst./ Legis. Dir.	
Daniel Weiss Press Secy.	
Diane Shust Legis. Aide/ Counsel	Education and Labor Committee
Sylvia Arthur Pers. Secy. (Appts.)	

COMMITTEE ASSIGNMENTS

Education and Labor: Elementary, Secondary, and Vocational Education • Labor-Management Relations • Postsecondary Education

Interior and Insular Affairs: Water, Power and Offshore Energy Resources, *Chairman* • Energy and the Environment

Children, Youth, and Families (Select), *Chairman* • No task forces at press time

OTHER POSITIONS

Majority Whip At Large • Democratic Study Group • Environmental and Energy Study Conference • Arms Control and Foreign Policy Caucus • Congressional Caucus for Women's Issues • The Congressional Military Reform Caucus • U.S.-Mexico Interparliamentary Group, Delegate

DISTRICT OFFICES

Suite #14, 367 Civic Dr.
Pleasant Hill, CA 94523 . . . . . (415) 687-3260
Suite 281, 3220 Blume Dr.
Richmond, CA 94806 . . . . . (415) 222-4212
Antioch City Hall, P.O. Box 130
Antioch, CA 94509. . . . . (415) 778-3777

John Mille



BIOGRAPHICAL Bor
• Educ.: B.A., Bucknell U
Attorney; Radio/TV Com

KEY STAFF AIDES

Name/Position	L
Bruce Agnew Chf. of Staff	
Abby Daniell Communications	
JoAnn Johnson Exec. Asst. (Appts.)	
Charles Broches Legis. Dir.	M Fi gy Bu
Andrew Johnson Legis. Asst.	Bu pc Se
Sam Kaplan Legis. Asst.	Fc Dc
Mike Sommerfeld Legis. Asst.	Ai fai W
Julie Williams Legis. Asst.	Ci me
Linda Bunce Caseworker	Im

COMMITTEE ASSIGN
Foreign Affairs: Human R
tions • International Econom

Merchant Marine and Fis
servation and the Environme

OTHER POSITIONS

Regional Minority Whip • Ca
Force • Congressional Caucus
al Human Rights Caucus, Ex
and Energy Study Conference
U.S. Interparliamentary Grou

DISTRICT OFFICES

Suite 201, 145 So. Third Ave.
Edmonds, WA 98020 . . .

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FIFTH DISTRICT.—CITY AND COUNTY OF SAN FRANCISCO: That part not contained in the Sixth District. Population (1980), 525,923.

ZIP Codes.—94100-03, 94105, 94107-12, 94114-17, 94119, 94122-24, 94126-27, 94130-34, 94140-42, 94164, 94188

NANCY PELOSI, Democrat, of San Francisco, CA; born in Baltimore, MD, March 26, 1940; daughter of Representative Thomas D'Alesandro, Jr.; attended the Institute of Notre Dame Grammar School, Baltimore, 1954; graduated, Institute of Notre Dame High School, 1958; B.A., Trinity College, Washington, DC (major, Political Science; minor, history), 1962; northern chair, California Democratic Party, 1977–81; State chair, California Democratic Party, 1981–83; chairman, 1984 Democratic National Convention Host Committee; finance chair, Democratic Senatorial Campaign Committee, 1985–86; member: Democratic National Committee; California Democratic Party Executive Committee; San Francisco Library Commission; Board of Trustees, LSB Leakey Foundation; married to Paul F. Pelosi, 1963; five children: Nancy Corinne, Christine, Jacqueline, Paul, Jr., and Alexandra; elected by special election, June 2, 1987, to the 100th Congress to fill the vacancy caused by the death of Sala Burton; reelected to the 101st Congress, November 8, 1988.

SIXTH DISTRICT.—MARIN COUNTY. SOLANO COUNTY. City of Vallejo. SONOMA COUNTY: Southern part, including cities of Cotati, Petaluma, and Sonoma. CITY OF SAN FRANCISCO: Northwestern part, including the neighborhoods of Haight, Richmond, and Western addition. Population (1980), 525,984.

ZIP Codes.—94100, 94104, 94109, 94114–15, 94117–18, 94121, 94129, 94139, 94589–92, 94901, 94903–04, 94911–13, 94920, 94922-23, 94928–30, 94933, 94937–42, 94945–53, 94956–57, 94960, 94963–66, 94970–71, 94973, 94975, 95431, 95433, 95476, 95487

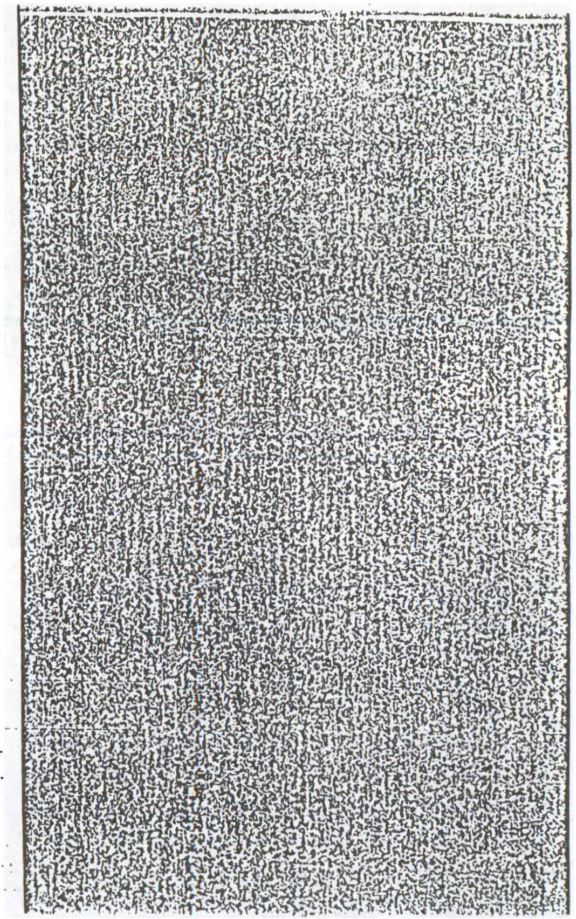
BARBARA BOXER, Democrat, of Greenbrae, CA; born in Brooklyn, NY., November 11, 1940; graduated, 1962, Brooklyn College, B.A., major in economics; stockbroker and economic researcher with securities firms on Wall Street, 1962–65; journalist and associate editor, Pacific Sun newspaper, won two major press awards for in depth analytical reporting, 1972–74; congressional aide, Fifth Congressional District, California, 1974–76; elected member, Marin County Board of Supervisors, 1976–82; first woman president, Marin County Board of Supervisors, 1980–81; director, Bay Area Air Quality Management District, 1977–82; president, BAAQMD, 1979–81; director, Golden Gate Bridge, Highway and Transportation, 1978–82; winner of Common Cause Open Government Award, 1980; founding member of Marin Education Corps, Marin National Women's Political Caucus, Marin Community Video; member of various boards of directors and advisory boards for civic, cultural, and educational organizations; member, Budget Committee; Government Operations Committee; Select Committee on Children, Youth and Families; married to Stewart Boxer, 1962; two adult children: Doug and Nicole; elected on November 2, 1982 to the 98th Congress; reelected to each succeeding Congress.

SEVENTH DISTRICT.—CONTRA COSTA COUNTY: Cities of Antioch, Bethel Island, Brentwood, Concord, Crockett, El Sobrante, Martinez, Oakley, Pacheco, Pinole, Pittsburg, Pleasant Hill, Port Costa, Richmond, Rodeo, San Pablo, Walnut Creek, and West Pittsburg, and parts of Alamo, Danville, and San Ramon. Population (1980), 526,191.

ZIP Codes.—94507, 94509, 94511, 94513–14, 94517–28, 94547–48, 94550, 94553, 94561, 94564–66, 94569, 94572, 94583, 94593–98, 94800–08

GEORGE MILLER, Democrat, of Martinez, CA; born in Richmond, CA, May 17, 1945; attended Martinez public schools; Diablo Valley College; graduated, 1968, San Francisco State College; J.D., 1972, University of California at Davis School of Law; member: California State Bar, Davis Law School Alumni Association; served 5 years as legislative aide to Senate majority leader, California State Legislature; past chairman and member of Contra Costa County Democratic Central Committee; past president of Martinez Democratic Club; married to the former Cynthia Caccavo, of Martinez; two children: George and Stephen; committees: Interior and Insular Affairs, chairman, Subcommittee on Water and Power; chairman, Select Committee on Children, Youth and Families; and Education and Labor; elected to the 94th Congress, November 5, 1974; reelected to each succeeding Congress.

EIGHTH DISTRICT.—ALAMEDA COUNTY: Cities of Albany, Berkeley, Emeryville, Kensington, Piedmont, and Oakland (part). CONTRA COSTA COUNTY: El Cerrito, Lafayette, Moraga, Orinda, San Ramon, Alamo (part), and Dublin (part). Population (1980), 525,942.



*Special election held due to the death of Rep. Sala Burton.

REP. NANCY PELOSI (D CA—5) of San Francisco. Washington office: 1005 LHOB, zip 20515-0505, phone 225-4965. House service, June 9, 1987 to present. Born March 26, 1940 in Baltimore, Maryland, daughter of late Rep. Thomas D'Alesandro, Jr. (D MD). Trinity College, A.B., 1962. Public relations consultant. California Democratic State Party Chair, 1981; Finance chairman, Democratic Senatorial Campaign Committee, 1985-86. Married; five children. Roman Catholic.
COMMITTEES— Banking, Finance and Urban Affairs; Government Operations.
DISTRICT OFFICE— San Francisco 94102-3460: Room 13470, Federal Bldg., 450 Golden Gate Ave., dial 415-556-4862.

SIXTH DISTRICT CALIFORNIA — CITIES: Belvedere, Boyles Hot Springs, Corte Madera, Cotati, El Verano, Fairfax, Greenbrae, Lagunitas-Forest Knolls, Larkspar, Lucas Valley-Marinwood, Mill Valley, Novato, Petaluma, Ross, San Anselmo, San Francisco (part), San Rafael, Sausalito, Sonoma, Tamalpais-Homestead Valley, Tiburon and Vallejo (part). **COUNTIES (4):** Marin, San Francisco (part), Solano (part) and Sonoma (part). District population (84) 526,020.

Year	District	Member	Vote	%	Opponent	Vote	%	Other	%
'88	CA-6	Barbara Boxer (D)	176,645	73.4	William Steinmetz (R)	64,174	26.6	—	—
'86	CA-6	Barbara Boxer (D)	142,946	73.9	Franklin Ernst, III (R)	50,606	26.1	—	—

REP. BARBARA BOXER (D CA—6) of Greenbrae. Washington office: 307 CHOB, zip 20515-0506, phone 225-5161. House service, Jan. 3, 1983 to present. Born Nov. 11, 1940 in Brooklyn, New York. Brooklyn Coll., B.A in economics, 1962. Stockbroker and economic researcher, New York securities firms, 1962-65; journalist and assoc. editor, *Pacific Sun*, 1972-74; congressional aide, 1974-76. Marin County Supervisor, 1976-82, president of bd., 1980-81; director, Bay Area Air Quality Management District, 1977-82, president, 1979-81; Golden Gate Bridge, Highway and Transportation director, 1978-82. Founding member: Marin Education Corps, Marin Natl. Women's Political Caucus; Marin Community Video. Married to Stewart Boxer; two children. Jewish.
COMMITTEES— Budget; Government Operations; Select Children, Youth and Families.
DISTRICT OFFICES— San Francisco 94102-3455: 450 Golden Gate Ave., dial 415-626-6943. San Rafael 94901: Suite 300, 3301 Kerner Blvd., dial 415-457-7272.

SEVENTH DISTRICT CALIFORNIA — CITIES: Alamo (part), Antioch, Bethel Island, Brentwood, Clayton, Concord, Danville (part), El Sobrante, Hercules, Martinez (part), Oakley, Pinole, Pittsburg, Pleasant Hill, Richmond, Rodeo, Sand Hill, San Pablo, San Ramon (part), Tara Hills-Montalvin Manor, Vine Hill-Pacheco, Walnut Creek and West Pittsburg. **COUNTY:** Contra Costa (part). Dist. pop. ('84) 525,990.

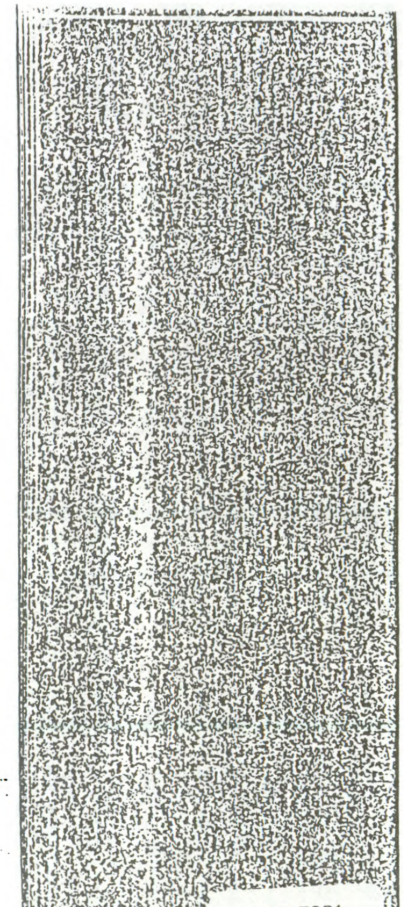
Year	District	Member	Vote	%	Opponent	Vote	%	Other	%
'88	CA-7	George Miller (D)	170,006	68.4	Jean Last (R)	78,478	31.6	—	—
'86	CA-7	George Miller (D)	124,174	66.6	Rosemary Thakar (R)	62,379	33.4	—	—

REP. GEORGE MILLER (D CA—7) of Martinez. Washington office: 2228 RHOB, zip 20515-0507, phone 225-2095. House service, Jan. 3, 1975 to present. Born May 17, 1945 in Richmond. Student, Diablo Valley Coll.; San Francisco State Coll., B.A., major in American problems, 1968; Univ. of California at Davis School of Law, J.D., 1972. Admitted to California Bar, 1973. Legislative aide to Majority Leader, California Senate, 1969-74. Practicing attorney, 1974-75. Member: Contra Costa County Dem. Com.; Martinez Democratic Club, past president. Married to Cynthia Caccavo; two children. Roman Catholic.
COMMITTEES— Education and Labor; Interior and Insular Affairs; Select Children, Youth and Families, Chairman.
DISTRICT OFFICES— Antioch 94509-0504: Antioch City Hall, (P.O. Box 130), dial 415-778-3777. Pleasant Hill 94523-1993: Room 14, 367 Civic Drive, dial 415-687-3260. Richmond 94806-1967: Suite 281, 3220 Blume Drive, dial 415-222-4212.

EIGHTH DISTRICT CALIFORNIA — CITIES: Alamo (part), Albany, Berkeley, Danville (part), El Cerrito, Emeryville, Kensington, Lafayette, Moraga Town, Oakland (part), Orinda, Piedmont, San Ramon (part) and Walnut Creek West. **COUNTIES (2):** Alameda (part) and Contra Costa (part). Dist. pop. ('84) 525,646.

Year	District	Member	Vote	%	Opponent	Vote	%	Other	%
'88	CA-8	Ronald V. Dellums (D)	163,221	66.6	John J. Cuddihy, Jr. (R)	76,531	31.2	5,444	2.2
'86	CA-8	Ronald V. Dellums (D)	121,790	60.0	Steven Eigenberg (R)	76,850	37.9	4,295	2.1

REP. RONALD V. DELLUMS (D CA—8) of Oakland. Washington office: 2136 RHOB, zip 20515-0508, phone 225-2661. House service, Jan. 3, 1971 to present. Born Nov. 24, 1935 in Oakland. Oakland City Coll., A.A., 1958; San Francisco State Coll., B.A., 1960; Univ. of California, M.S.W., 1962. U.S. Marine Corps svc., 1954-56. Psychiatric social worker, California Department of Mental Hygiene, 1962-64; program director, Bayview Community Center, 1964-65; assoc. director and director, Hunters Point Youth Opportunity Center, 1965-66; planning consultant, Bay Area Social Planning Council, 1966-67; director, Concentrated Employment Program, San Francisco Economic Opportunity



CIA-RDP90-01208R000200050002-2
E2R415961

Committee on Interior and Insular Affairs

1324 Longworth House Office Building, Washington, DC 20515-6201 (202) 225-2761

Jurisdiction: (1) Forest reserves and national parks created from the public domain; (2) Forfeiture of land grants and alien ownership, including alien ownership of mineral lands; (3) Geological Survey; (4) Interstate compacts relating to apportionment of waters for irrigation purposes; (5) Irrigation and reclamation, including water supply for reclamation projects, and easements of public lands for irrigation projects, and acquisition of private lands when necessary to complete irrigation projects; (6) Measures relating to the care and management of Indians, including the care and allotment of Indian lands and general and special measures relating to claims which are paid out of Indian funds; (7) Measures relating generally to the insular possessions of the United States, except those affecting the revenue and appropriations; (8) Military parks and battlefields; national cemeteries administered by the Secretary of the Interior and parks within the District of Columbia; (9) Mineral land laws and claims and entries thereunder; (10) Mineral resources of the public lands; (11) Mining interests generally; (12) Mining schools and experimental stations; (13) Petroleum conservation on the public lands and conservation of the radium supply in the United States; (14) Preservation of historic ruins and objects of interest on the public domain; (15) Public lands generally, including entry, easements, and grazing thereon; (16) Relations of the United States with the Indians and the Indian tribes; (17) Regulation of the domestic nuclear energy industry, including regulation of research and development reactors and nuclear regulatory research. In addition to its legislative jurisdiction under the preceding provisions of this paragraph (and its general oversight function under clause 2(b)(1) of House Rule X), the committee shall have the special oversight functions provided for in clause 3(e) with respect to all programs affecting Indians and nonmilitary nuclear energy and research and development, including the disposal of nuclear waste.

Ratio: 23/14.*

MAJORITY MEMBERS		MINORITY MEMBERS
Morris K. Udall, Ariz., *Chairman*	Bill Richardson, N.M.	Don Young, Alaska, *Ranking Minority Member*
George Miller, Calif.	George (Buddy) Darden, Ga.	Robert J. Lagomarsino, Calif.
Philip R. Sharp, Ind.	Peter J. Visclosky, Ind.	Ron Marlenee, Mont.
Edward J. Markey, Mass.	*Jaime B. Fuster, P.R.	Larry E. Craig, Idaho
Austin J. Murphy, Pa.	Mel Levine, Calif.	Denny Smith, Ore.
Nick Joe Rahall II, W.Va.	James McClure Clarke, N.C.	James V. Hansen, Utah
Bruce F. Vento, Minn.	Wayne Owens, Utah	Barbara Vucanovich, Nev.
Pat Williams, Mont.	John Lewis, Ga.	*Ben Blaz, Guam
Beverly B. Byron, Md.	Ben Nighthorse Campbell, Colo.	John J. Rhodes III, Ariz.
*Ron de Lugo, Virgin Islands	Peter A. DeFazio, Ore.	Elton Gallegly, Calif.
Sam Gejdenson, Conn.	*Eni F.H. Faleomavaega, Amer. Samoa	Stan Parris, Va.
Peter H. Kostmayer, Pa.	Jim McDermott, Wash.	Robert F. (Bob) Smith, Ore.
Richard H. Lehman, Calif.	Tim Johnson, S.D.	Jim Lightfoot, Iowa
		Craig Thomas, Wyo.
		John J. Duncan, Jr., Tenn.

*Ratios do not include Resident Commissioner or Delegates.

(continued on next page)

Subcommittees of the Interior and Insular Affairs Committee

Note: The Chairman and Ranking Minority Member are *ex officio* non-voting members of all subcommittees of which they are not regular members.

ENERGY AND THE ENVIRONMENT
1327 Longworth House Office Building
Washington, DC 20515
(202) 225-8331

Jurisdiction: (1) Recommendations with respect to laws and programs under the jurisdiction of the committee made by the Council on Environmental Quality in its annual Environmental Quality Report to the Congress; (2) Selected matters and proposals, as referred by the Chairman, involving the environmental impacts of any laws or programs under the jurisdiction of the committee; (3) Regulation of the domestic nuclear energy industry, including regulation of research and development of reactors and nuclear regulatory research and special oversight functions with respect to nonmilitary nuclear energy and research and development, including the disposal of nuclear waste; (4) Petroleum conservation on the public and other Federal lands and conservation of the uranium supply in the United States; (5) Legislation concerning the transportation of natural gas from or within Alaska or concerning the disposition of oil transported by the Trans-Alaska oil pipeline; (6) Forestry and forest management issues in Alaska.

MAJORITY MEMBERS	MINORITY MEMBERS
Morris K. Udall, *Chairman*	James V. Hansen, *Ranking*
George Miller	Denny Smith
Philip R. Sharp	Barbara Vucanovich
Edward J. Markey	Ben Blaz
Austin J. Murphy	John J. Rhodes III
Bruce F. Vento	Stan Parris
Sam Gejdenson	Jim Lightfoot
Bill Richardson	
George (Buddy) Darden	
James McClure Clarke	

KEY STAFF AIDES

Majority
Counsel ..... Sam Fowler
Staff Counsel ..... Richard Mckee
Clerk ..... Elizabeth McMillan

Minority
Counsel James C. Barker 226-2311

WATER, POWER AND OFFSHORE ENERGY RESOURCES
1522 Longworth House Office Building
Washington, DC 20515
(202) 225-6042

Jurisdiction: (1) Irrigation and reclamation projects and other water resources development programs, including policies and procedures relating thereto; (2) Compacts relating to the use and apportionment of interstate waters; (3) Water rights and water-related programs of the Geological Survey; (4) Saline water research and development program and water resources research program; (5) Water resources planning conducted pursuant to the Water Resources Planning Act; (6) Programs involving major interbasin movement of water or power; (7) Measures and matters relating to public lands in Alaska, except those within the jurisdiction of the Subcommittees on Energy and Environment and National Parks and Public Lands.

MAJORITY MEMBERS	MINORITY MEMBERS
George Miller, *Chairman*	Denny Smith, *Ranking*
Morris K. Udall	Don Young
Philip R. Sharp	Ron Marlenee
Edward J. Markey	Larry E. Craig
Beverly B. Byron	James V. Hansen
Sam Gejdenson	John J. Rhodes III
Peter H. Kostmayer	Robert F. (Bob) Smith
Richard H. Lehman	Ben Blaz
Mel Levine	Craig Thomas
Wayne Owens	
Ben Nighthorse Campbell	
Peter A. DeFazio	
Jim McDermott	
Tim Johnson	

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Counsel ..... Jeffrey P. Petrich
Professional Staff Members ..... Dan Adamson
Charlene Dougherty
Steve Lanich
Clerk ..... Sharon Kirby

Minority
Consultant Valerie Stackhouse 226-2311

(continued on next page)

A Big Squeeze on Defense May Not Deflate the Deficit

SUMMARY: With warming Soviet relations has come talk in Washington of a "peace dividend" — a defense spending reduction. The battle in Congress will focus not only on how deep that cut should be but also on whether it should be spent or used to cut the deficit. Though some will fight for a tax cut, others will want to use the savings elsewhere.

With pieces of the Berlin Wall selling as memento mori in tony department stores and communist parties across Eastern Europe abdicating their thrones, a bidding war has broken out in Washington over how much to cut defense spending. In fact, two battles are already being fought on Capitol Hill over the potential "peace dividend": How big will it be? And how should it be spent?



Frank wants better social programs . . .

The first battle — over the depth of the cuts — broke out in congressional hearings in mid-December. Robert S. McNamara, the former defense secretary, argued before the Senate Budget Committee that defense spending could be reduced to $265 billion by 1994, $55 billion less than the Pentagon's previous projection for that year. McNamara assured the committee that the Soviet threat was diminished, arguing that Mikhail Gorbachev's policies would be pursued in the Soviet Union whether led by Gorbachev or a successor. McNamara said that given the persistence of communist reforms, "in the face of . . . economic and social problems, it would be folly to spend more than we need for defense."

McNamara was joined by Lawrence J. Korb, an assistant defense secretary in the first term of the Reagan administration, who, with an eye on the budget deficit, said, "There is no doubt that the combination of Gramm-Rudman-Gorbachev can and should drive the level of defense spending down by about 25 percent" within five years. Korb said the defense budget could be slashed to $225 billion by 1995. And Defense Secretary Dick Cheney, at the request of President Bush, is seeking ways to reduce the growth of defense spending by $180 billion over the next four years.

Jim Sasser, chairman of the committee, agreed that defense should be cut, though the Tennessee Democrat warned it would be unwise "to set out on mindless cutting without an overall strategy."

But Sen. Pete V. Domenici objected that "until we see with greater certainty how the current turmoil in the communist world plays out, we simply have no way to project great defense savings next year or five years from now." The New Mexico Republican chastened those hopeful of large savings: "Those who are looking for an instant pot of gold at the end of the defense rainbow are going to be disappointed."

Neither Sasser nor Domenici need worry, however, that Congress will cut defense pell-mell. Cuts in troops, bases and defense production could cost some areas jobs and income. Skirmishes over which states will lose part of the economic subsidy that comes with defense spending are sure to prolong the defense reduction battle. Such politicking is a traditional feature of the defense budgeting process on Capitol Hill. For example, when Cheney attempted this summer to trim spending by canceling production of the V-22 Osprey tilt-rotor plane and ending production of the Grumman F-14D, the corporations involved launched advertising campaigns touting the systems, and members concerned that constituents would be put out of work appropriated money to keep the projects alive. Disputes like these may become increasingly common as the budget shrinks.

Reductions in domestic troop levels are also notoriously difficult to achieve. Notes Thomas Scully, the Office of Manage and Budget's assistant director for leg tive affairs: "People don't want to reac the plant down the street was closed i interest of deficit reduction. People get elected that way."

Such political incentives make it likely that members of Congress, they finally get down to line items, wi as much as they now suggest while cussing the defense budget as a whole. this has not postponed the second batt over how to spend the savings. Ev defense reductions are small — most pect there will be no reductions in the d



. . . while Gramm wants to cut taxes.

amount spent but merely that increases w not keep pace with inflation — Congr has already begun to talk of a windfall revenues for new social programs or deficit reduction. And not just Congre Michael Boskin, chief economic adviser President Bush, complained not long a that people who recently were "arguir about the deficit and saying this is o major economic problem" have alrea planned how to spend any savings "sever times over."

Scully says the money may be "ima ined to be there. The peace dividend — decrease of an increase of $4 billion or billion — by the end of the year will pro ably be magnified into $100 billion th people will want to use." He doubts Co

There hasn't been a peace dividend "because we're spending so much on other programs. There are too many other places people want to spend it."

gress will want to use it solely to cut the deficit and avert tax increases: "They will say that if we take all this peace dividend and have just a slight tax increase, we can afford to fund everything. If we did nothing but put [the peace dividend] toward deficit reduction we'd still have a hell of a long way to go to meet the Gramm-Rudman targets."

But no one is predicting that all, or even most, of whatever savings are squeezed out of the defense budget will be applied to the deficit ($152.1 billion in fiscal 1989). Dick Doyle, a senior defense analyst on the Senate Budget Committee, notes that in real terms the defense budget has been shrinking steadily for five years, yet revenue freed by the cuts has not found its way to deficit reduction. "We've been on our own little *perestroika* here for five years running, and I don't know about you, but I've never noticed a peace dividend," he says. There has not been a peace dividend "because we're spending so much money on all these other programs. . . . There are just too many other places people want to spend it."

Even if there are substantial cuts in defense spending, Herbert Stein, a fellow with the American Enterprise Institute, says they will do little to ease budget constraints: "We have the continuing problem of how we allocate the national output, and if we have a little more to use for nondefense purposes — and it's only a little — it doesn't change the basic problem."

One plan to spend defense savings on social programs has already been proposed, by Democratic Reps. Barney Frank of Massachusetts and George Miller of California. In a letter to colleagues, Frank wrote that the United States has been "substantially underfunding some vital categories of domestic spending, including health care, housing, education, the environment and the infrastructure." He concluded that "the best way of increasing spending on these important domestic programs is to cut the military budget in a manner which is consistent with the changing international situation and to dedicate the money saved in this way to domestic spending and further deficit reduction."

Under the proposal, $18 billion would be cut from defense in 1991, $15 billion of it going to social programs. Of the $90 billion the proposal would strip from defense over three years, less than $40 billion would be used to reduce the deficit.

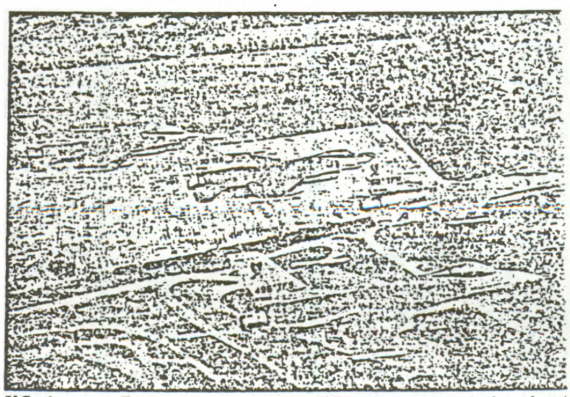
Frank and Miller's legislation is consistent with a shift in thinking by liberal economists over the past year, heralded in a manifesto the Economic Policy Institute ran last summer as advertisements in The New Republic and Roll Call, a biweekly newspaper on Congress. De-emphasizing the size of the federal deficit, they now argue the need for government investment in what is termed the economic infrastructure — roads, bridges, an educated population and the like.

Robert Reich, a lecturer at Harvard's Kennedy School of Government and one of the economists who signed the ad, says a deficit is not so bad if it is put to the right use. "Whether you are talking about a family or a nation or an individual, the principle is the same," he argues. "Going into debt by investing in your future capacities to produce wealth is never a problem. Going into debt to increase present consumption is an enormous problem." The return on infrastructure investments, the argument goes, will pay for the debt.

Sen. Phil Gramm, the Texas Republican who cowrote the Gramm-Rudman deficit reduction law, does not disagree with Reich's premise that too little of government money is spent on investment, though he does object to the idea that the government should run a deficit to fund investment. "Our government, in the money that it does spend, spends too much on consumption and not enough on investment," says Gramm. "Our infrastructure problems do not represent a problem in available resources, they represent a problem in terms of the misuse of those resources. To blame our budget problems for not having enough money to build economic infrastructure is like a drunk spending money on whiskey and then blami employer that he can't feed his ch: We've got plenty of money in the b we're just spending it on the wrong th

Gramm says he will fight to hav defense savings used to reduce the b deficit and taxes. Though "there wi tainly be those in government wh want to take the opportunity to ini massive new spending program," he "the principal benefits of any peace dend should go to the people who w Cold War: the long-suffering Am taxpayers."

Gramm's argument for a peace div tax cut in some ways resembles R argument for infrastructure investmer main difference being that Gramm



U.S. planes over Europe, where America's military presence may soon be reduced

productive investment comes about when the federal government directs spe ing but when the private sector gets to k a larger share of the gross national prod "We can speed the transition of the ec omy by allowing working people to k more of what they earn to build new hom new farms, new factories — to gener new economic growth."

Though he is not overly hopeful t lower defense spending will translate i a tax cut, Gramm hopes that the growth social spending can be restrained. "' need to learn from the lessons of East Europe," he says. "If more government w the answer, the Berlin Wall would ha been torn down from our side."

— *Eric Fel*

The difficulty in dealing with the occupational disease issue has been compounded by a maze of diverse approaches which have raised many questions and offered few solutions. Is asbestos a unique problem, or should the whole issue of occupational disease be confronted?

A No-Man's Land for Insurers

BY JOHN H. LAFAYETTE

Asbestos may be regarded as a menacing iceberg threatening the future path of the workers' compensation system. And, like most icebergs, it is all the more menacing since further perils—the unknown implications of other occupational diseases—lurk unmeasured beneath the surface. While insurance companies, manufacturers, legislators and victims of occupational disease try to navigate the complex issues raised by this pervasive problem, some possible solutions have emerged.

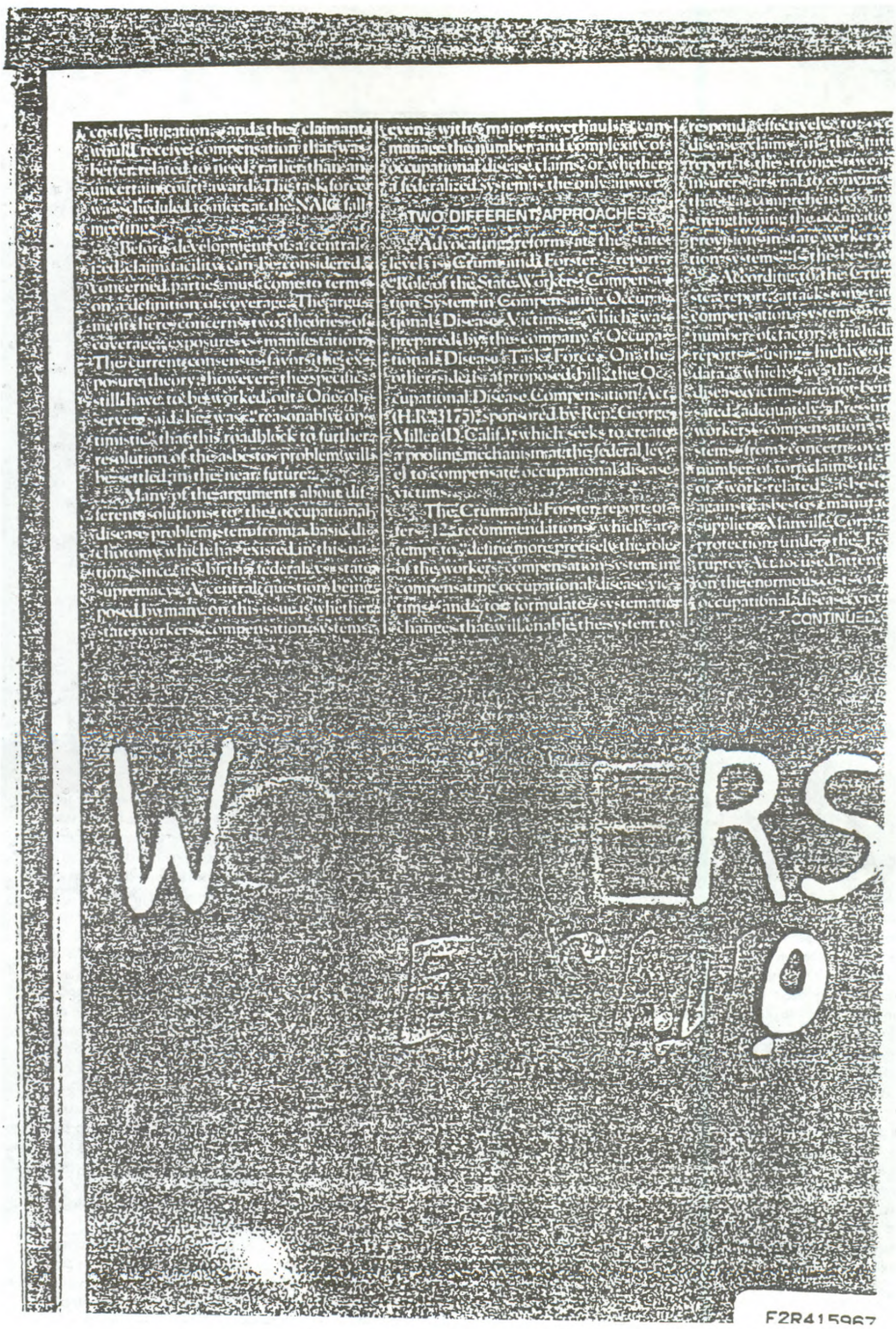
Crum and Forster released last June its report of recommendations on how the state workers' compensation systems could be revamped to handle the occupational disease problem. Its approach immediately gained the support of most of the insurance industry. Meanwhile, a bill pending in Congress proposes a federal system to handle occupational disease claims, essentially negating the Crum and Forster initiative.

The difficulty in dealing with the occupational disease issue has been compounded by a maze of diverse approaches which have raised many questions and offered few solutions. is the problem of occupational disease best handled through reform of the product liability or the workers' compensation systems? Is asbestos a unique problem warranting a special program, or should the whole issue of occupational disease be confronted? Can occupational disease be handled better on the federal or state level?

The variety of alternatives being proposed at both the federal and state levels is an indication of the broad and expanding spectrum of concern over the implications of liability for diseases with long latency periods. Suggestions for resolving the problem include developing an expanded occupational disease coverage within a federal workers' compensation pool at either the federal or state level. The National Association of Insurance Commissioners appointed a group to study occupational disease, as did the International Association of Industrial Accident Boards Commissioners.

Also working on resolving a major portion of this issue is the Asbestos Claims Council, a consortium of major insurers with asbestos exposure. The Council has been working at trying to resolve the dispute between insurers and their policyholders concerning the question of coverage. It recently created a task force to design and establish a central claims handling facility which would attempt to resolve future asbestos coverage claims against manufacturers, suppliers and their insurers. The idea is to encourage the settling of claims as opposed to the filing of lawsuits.

Compensation would be triggered when the asbestos-related disease is diagnosed, thus providing an immediate benefit to the claimant. Claimants and the companies would



costly litigation, and the claimants would receive compensation that was better related to need, rather than any uncertain conflict awards. This task force was scheduled to meet at the NAIC fall meeting.

Before development of a central federal claims facility can be considered, concerned parties must come to terms on a definition of coverage. The arguments here concern two theories of coverage, exposure vs. manifestation. The current consensus favors the exposure theory, however, the specifics still have to be worked out. One observer said he was reasonably optimistic that this roadblock to further resolution of the asbestos problem will be settled in the near future.

Many of the arguments about different solutions to the occupational disease problem stem from a basic dichotomy which has existed in this nation since its birth: federal vs. state supremacy. A central question being posed by many on this issue is whether state workers' compensation systems, even with the major overhauling to manage the number and complexity of occupational disease claims, or whether a federalized system is the only answer.

TWO DIFFERENT APPROACHES

Advocating reforms at the state level is Grumet and Forster's report, Role of the State Workers' Compensation System in Compensating Occupational Disease Victims, which was prepared by the company's Occupational Disease Task Force. One of the other sides is a proposed bill, the Occupational Disease Compensation Act (H.R. 3175), sponsored by Rep. George Miller (D-Calif.), which seeks to create a pooling mechanism at the federal level to compensate occupational disease victims.

The Grumet and Forster report offers 12 recommendations which attempt to define more precisely the role of the workers' compensation system in compensating occupational disease victims and to formulate systematic changes that will enable the system to respond effectively to [illegible] disease claims. If the [illegible] reports, the [illegible] insurers' [illegible] to develop [illegible] that is comprehensive [illegible] strengthening the [illegible] provisions, state workers' [illegible] tion systems. The [illegible]

According to the Grumet report, attacks on state compensation systems [illegible] numerous factors, including reports casting highly [illegible] data, which say that [illegible] disease victims are not being [illegible] ated adequately. The [illegible] workers' compensation [illegible] stems from concerns over [illegible] number of tort claims filed [illegible] of work-related [illegible] against asbestos manufacturers and suppliers, Manville Corp. [illegible] protections under the [illegible] rupcy Act to use patent [illegible] on the enormous cost [illegible] occupational disease [illegible]

CONTINUED

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LAFAYETTE—FROM PAGE 21

on the inability of the tort liability system to handle a large number of such claims.

The number as well as the complexity of these claims will increase, according to the Crum and Forster report. Contributing factors include an increase in the average age of the working population, the unknown effect of technological developments and the long latency period of some diseases.

The report offers a series of statutory and administrative proposals designed to alter the state workers' compensation systems to ensure that they can adapt to whatever scenarios the future may hold and at the same time "balance the right of an employee to prompt, fair and adequate compensation with the ability of the employer to pay."

LOOKS AT ALTERNATIVES

The report is "not a rigid document," Robert J. Sullivan, vice president of government affairs for Crum & Forster Corp., told *Best's*. "It looks at alternatives to the current workers' compensation systems...at least those which are acceptable to us (and the insurance industry)," he said. "The report fills the gap of bringing everyone up-to-date" on what is the current state of affairs in workers' compensation.

Crum and Forster has given the report "pretty widespread exposure," Mr. Sullivan said. An exposure draft was critiqued in March by a group of workers' compensation specialists; it was featured at the Seventh Annual National Symposium on Workers' Compensation in Orono, Maine, in July, and was presented to the House Subcommittee on Labor Standards as well as read into the *Congressional Record*.

The report concludes that adoption of its 12 recommendations would "assure the responsiveness of the state workers' compensation systems." Despite these assurances and a plea by Leslie Cheek III, vice president of federal affairs for Crum and Forster, before Rep. Miller's subcommittee that they "stay...(their) legislative hand until it is clear that the private sector cannot resolve its asbestos litigation problems and that the states cannot modernize their occupational disease compensation statutes," proponents of a federal system say they will push for passage of the Miller bill in this upcoming legislative session.

establish a federal program to compensate individuals or dependents for death or disability resulting from occupational diseases. Support for Rep. Miller's approach stems in part from the belief, as expressed in a legal memorandum prepared and distributed by the Labor Law Advisory Committee of the National Association of Manufacturers, that "the insurance industry may be unable to bear the burden of the potential risks already suspected to exist and beginning to be litigated." Furthermore, according to the memorandum, with the expansion of tort liability, insurability of such risks is becoming economically infeasible for underwriters.

Two areas of the report may create some controversy.

Rep. Miller's bill is designed to provide an exclusive remedy to occupational disease victims who have not already filed claims for compensation. Although originally created to handle asbestos claims, H.R. 3175 contains a triggering mechanism by which the Secretary of Labor can expand its coverage to other types of occupational disease if incidence of a disease exceeds incidence in the population at large by 30%. A Congressional veto would be necessary to rescind the Secretary of Labor's decision.

The bill would set eligibility criteria and establish irrebuttable presumptions in certain cases if an employee could furnish proof of exposure to asbestos. It also would establish a compensation pool; limitations on liability would apply only if an employer or toxic substances marketer participated in the pool. The pool would collect assessments set by the Secretary of Labor using a complex formula, and pay all claims. The Labor Secretary also would decide which employers or toxic substances marketer should participate in the pool; some could participate voluntarily. Pool participants could obtain insurance or they could

the pool. Employer/insurer/pool
or subrogation in third party
would be banned.

"We didn't get everyone...t
brace the (Crum and Forster) re
mendations," Mr. Sullivan said.
major criticism was that the r
deals only with the workers' com
sation system and does not addre
tort liability system. But as the r
points out, "A great deal of
criticism is an attempt to recast
party liability problems as wo
compensation problems. These
cisms fail to differentiate accurate
tween the function of the tort li
system—to allocate responsi
among tortfeasors—and the funct
the workers' compensation syste
provide no-fault compensation
jured workers."

Few asbestos-related claim
filed under workers' compensatio
the most part, these claims are
under the tort liability system,
is much more generous than wo
compensation. When claims rela
asbestos are filed under workers
pensation, claimants do receive
fits. Consequently, many say the
lem is not with the workers' co
sation system but with the li
system.

Rep. Miller's bill acknow
that the problem stems from a
down in both systems, its propo
say. The Miller bill tries to reme
problem by designing a complete
workers' compensation system
federal level engineered to deal w
cupational disease and integrate
the tort liability system.
acknowledging that Crum and
did a good job of uncovering wh
wrong with the state workers' co
sation systems, proponents
federalized system argue it does
fer any blueprint for a solutio
Miller bill does by spelling
comprehensive solution, they

"We oppose the Miller bil
Sullivan said. It is not a ques
whether the Miller bill is better o
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Forster report, in his view. "Sup
the Miller bill is merely derive
the perception that the states c
it," he said, adding that the bil
supported on its merits.

HIGH COST OF LITIGATIO

Rep. Miller, however, poi
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Congress Seen Unreceptive To Subminimum Wage Idea

BY LLOYD SCHWARTZ

WASHINGTON (ENS) — If President Reagan decides to revive the perennial proposal of a youth subminimum wage, as a recent White House trial balloon suggests he might, prospects for favorable action in Congress would be slim.

Legislative strategists on Capitol Hill believe a subminimum wage bill could get to the Senate floor but probably would face virtually no chance of acceptance in the House.

Democrats now more firmly in control of the House probably would reject any suggestion that a subminimum, limited term entry level rate for youths would expand jobs at a time when unemployment for the 16 to 19-year age group is almost 25 per cent. It has been above the 20 per cent market since November 1981.

On Capitol Hill, rumors abound about the subminimum wage rebirth. One, considered far-fetched, is that Reagan will ask Congress to consider a youth differential as low as half of the statutory $3.35 hourly figure applicable to all others.

Other figures, equally unacceptable both to organized labor and its supporters in Congress, range from 75 to 85 per cent of the statutory wage floor.

As was the case last year, any youth subminimum wage is certain to be spiked by the House labor standards subcommittee, headed by Rep. George Miller (D., Calif.). Miller, a strong labor partisan who often tangles with business, views a subminimum wage as a ploy to undercut the higher wage floor. He agrees with the AFL-CIO that it would only result in displacing older, experienced workers.

Last year, accordingly, the House subcommittee refused to have any part of subminimum proposals. It held no hearings. Industry can look for a repeat of that performance, although there is always a chance that the subcommittee might want to formally reject a subminimum-wage bill just to underline its sentiments.

The atmosphere is somewhat cheerier for proponents on the Senate side where the Labor and Human Resources Committee last year held several hearings but took no action.

Three key subminimum-wage bills surfaced in the Senate last session. Sen. Charles Percy (R., Ill.) proposed that the subminimum wage be fixed at 85 per cent of the minimum wage level. Sen. Orrin Hatch (R., Utah), chairman of the Senate Labor Committee, offered a bill to set the level at 75 per cent.

Both felt any subminimum wage should be closed rather than open-ended. To avoid employer abuse, this would limit the subpay period, perhaps to six months. Under their proposals, if employers were found to be hiring young workers at the subminimum wage and then dropping them at the end of six months, they could be assessed the full prevailing wage retroactively. Another safeguard proposal would limit subminimum hiring to six or eight workers per company, but this measure would

Sen. Don Nickles (R., Ok... chairman of a Senate labor committee, called for elimina... the Wage-Hour Act on grounds that it resulted ... unemployment and thus ... counterproductive. Nickles is ... of the most conservati... members of the Senate ... generally takes a hard line ... labor issues. His effectiveness however, has been minimal.

Secretary of Labor Raymo... Donovan reportedly now favors ... youth subminimum wage La... year, while extolling the virtu... of the proposal. Donovan told t... Senate Labor Committee that h... and the Administration weren... prepared to take a formal pos... tion for or against the sub... minimum wage. The subcommit... tee is pressing Donovan t... elaborate on his contention that a lower minimum wage, however limited, would expand employment.

Any subminimum-wage proposal this year would be pitched to easing unemployment and creating new job opportunities for marginal, unskilled workers. While labor has said that the subminimum wage would be a bonanza for the retail fast food industry — and has tagged such legislation as "the MacDonald Bill" — it is considered even more appealing to many small independent businesses and supermarkets. MacDonald's, in fact, has taken a low profile on the subminimum wage and avoided testifying in its behalf.

A distinct handicap for any youth subminimum wage is the split-vote conclusion of the Minimum Wage Study Commission, established by Congress, that it wouldn't improve job prospects for youth and would tend to encourage employers to bump older, experienced workers in the interest of cutting labor costs.

A further complicating factor that gives pause to proponents is the danger that proposing a subminimum wage by ...



of a Catholic candidate ... was stoking the fires of in- onflict, the Presbyterian Robert McAfee Brown mber of proposals that he round rules for fruitful dia-

rtner, he wrote, must be- the other is speaking in . Each partner must strive er understanding of the sition and interpret it in the rather than the worst. ner must accept responsi- umility and penitence, for r her own group has done to e division. Each partner hrightly face the issues onflict.

unds almost too elementary ful — until one remembers lied the current debates be- rals and conservatives me with caricatures and es, with attributions of un- otives and suspicions of hid- las. Discussions conducted Brown's rules would be rent.

ld they end the combat? sarily. After all, the conflict oots in the contrasting re- believers to the challenges ience, intellectual skepti- political freedom pose for l sources of religious au- ow much, if any, of these nponents of modernity can it be, absorbed into a viable aith?

ith a question like that, the ifferences, as Dr. Brown 60, "may also make clear eavages are much deeper artners to the dialogue had thought."

advocates of dialogue be- at least the denunciatory d psychic bloodletting educed, that the remaining ents would be focused on e points at issue and that in s, each side would become out the strengths and es of its own convictions.

blood and urine samples taken from Mr. Hazelwood 10 hours after the accident showed that the alcohol level was 0.051 percent in his blood and 0.094 percent in his urine. Those readings were under the Alaska state limit of 0.10 for driving a car or truck, but above the Federal limit of 0.04 for operating a commercial vessel.

The toxicologist, Michael A. Peat of Sacramento, Calif., said alcohol read-

"It was very intense and very obvious," Mr. DeLozier said. "It was my impression he was attempting to cover it up by putting his hand over his mouth and also by drinking coffee."

On cross-examination, Mr. DeLozier acknowledged that he himself had been drinking the night before at the same Valdez bar where Mr. Hazelwood is said to have been drinking earlier in the day.

The witness said he had only two light beers, but conceded that someone talking to him might have smelled beer on his breath.

Coast Guard Assailed On Oil Spill Readiness

WASHINGTON, Feb. 16 (AP) — A California Congressman has accused the Coast Guard of overstating its readiness to deal with oil spills like the one that fouled the Pacific Coast south of Los Angeles last week.

The lawmaker, Representative George Miller, a Democrat, charged that the head of the Coast Guard, Adm. Paul A. Yost, assured him last August that his service was capable of cleaning up far more than it actually did in the recent spill.

Admiral Yost denied the allegation in an interview on Thursday, saying he was satisfied with the cleanup. "I'm delighted with the cleanup," the admiral said. "I'll stand by the cleanup."

Mr. Miller said Admiral Yost had told him in a letter that under ideal conditions, 161,500 barrels of oil would have been recovered within 72 hours of a spill off Southern California.

Mr. Miller said the cleanup of the Feb. 7 spill off Huntington Beach, Calif., although much smaller than the Exxon Valdez spill in Alaska last March, recovered only 2,762 barrels four days later, less than 2 percent of what the Coast Guard had estimated it could recover.

The American Trader spilled 400,000 gallons, or about 9,500 barrels, of crude oil as it tried to moor about two miles off the California coast. The Exxon Valdez spilled nearly 11 million gallons of crude when it went aground.

Jerelle Kraus Marries

Jerelle R. Kraus, the art director of The Living Section of The New York Times, and Horacio F. Cardo, a freelance illustrator, were married yesterday in a civil ceremony at City Hall in New York. The bride is a daughter of Joyce Kraus of Berkeley, Calif., and the late Dr. Otto Kraus. Her husband is the son of Mrs. Juan Cardo of Temperley, Argentina, and the late Mr. Cardo.

Mrs. Cardo received a bachelor's degree and an M.A. in art from the University of California at Berkeley. She was a Fulbright Scholar in Mu-

Faith McGillicuddy Ma

Faith Burtis McGillicuddy and Stephen Joseph Benoit were married yesterday at the Roman Catholic Church of the Resurrection in Rye, N.Y., by Msgr. Donald J. Pryor.

Mrs. Benoit is a daughter of Mr. and Mrs. John F. McGillicuddy of Rye. Her husband is a son of Mr. and Mrs. Arthur N. Benoit of Cos Cob, Conn.

The bride, a graduate of Holy Cross College and the New York School of Interior Design, owns McGillicuddy Interior Design in New York. Her father is the chairman and chief exec-

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will also market un- mily socks to depart- res, regional and nains and mass mer-

Subminimum Youth Pay Doesn't Rate With Miller

WASHINGTON (FNS) — Anticipated Administration support for a youth subminimum wage is drawing advance opposition from Rep. George Miller (D-Calif.), who heads a House labor subcommittee with jurisdiction over the Wage-Hour Act. He predicts Congress will give little attention to any such proposal.

Miller says a youth subminimum wage would only "push youngsters into the job market, while their parents stand in unemployment lines."

The Administration is expected to call for a cut in the $3.35 hourly statutory minimum, perhaps to $2.50 applicable exclusively to 17- to 20-year-olds and for a limited period.

Miller, who took the lead to spotlight "sweatshop conditions" in the apparel industry at a time when the Labor Department sought to ease restrictions on homework, suggests caustically that in offering a subminimum wage, the President is "replacing Reaganomics with Faginomics," a reference to a character in Charles Dickens' "Oliver Twist."

The subcommittee chairman estimates that for every unemployed teenager there are almost six idle adults.

"If the Administration wants to expand job opportunities," Miller adds, "I suggest Mr. Reagan and Labor Secretary (Raymond) Donovan look to the unemployment offices and the hiring halls, not to the classrooms and playgrounds."

Katkin Named To New Post At Brannam

NEW YORK — Steve Katkin has been appointed to the new position of vice-president and merchandise manager for men's wear, children's wear and domestics at J. Brannam, the 41-store off-price retail division of F.W. Woolworth.

He reports to Len Williams, president of Brannam.

Katkin was most recently senior vice-president, general merchandise manager, with Outlet Department Stores, [illegible] R.I. Before that

Stock Prices Drown in Oil; Dow Off 23

NEW YORK (FNS) — Stock prices plunged Monday, led by the oil companies. The Dow Jones Industrials lost 22.81 to 1,030.17. The Dow was off more than 30 points at midday.

The failure of the OPEC meeting to reach agreement was blamed for the market decline. An average share lost 91 cents on the New York Stock Exchange and 51 cents on the Amex. Volume on the NYSE was 91,560,000 shares, and declining issues overwhelmed gainers, 1,622 to 162. On the Amex, volume was 9,835,780, and losers [illegible] 670 to 73.

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Rep. Miller discusses occupational disease

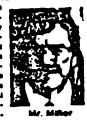
By CAROL CAIN

It is nearly impossible to discuss occupational disease compensation, particularly extensive compensation without mentioning U.S. Rep. George Miller, D-Calif.

The 10-year-old Martinez, Calif., resident has spent much of his 10 years in Congress leading a battle for workers' compensation benefits for asbestos disease victims. Many of whom were exposed to the material at shipyards during the 1940s and 1950s. He thinks workers are inadequate to handle occupational disease cases and would like to see a federal system funded by private employers.

During the last session of Congress Rep. Miller fought his battle on two fronts and was victorious on both.

He was able to include in the amendments to the Longshore- and Harbor Workers' Compensation Act provisions that will allow federal workers to submit claims for occupational diseases identified or first discovered during retirement. (BI Sept. 17, 1984)



Mr. Miller

However Rep. Miller's own bill — H.R. 3175 — that called for a federal workers' compensation program for occupational disease victims was lost in the Subcommittee on Labor Standards of the House Education and Labor Committee when Congress adjourned. He plans to introduce a similar bill early in the new session.

Rep. Miller chaired the labor standards subcommittee last session but this year he will become chairman of that subcommittee to devote more time to the House Interior and Insular Affairs Committee.

But his absence from the subcommittee does not mean a withdrawal from active participation in the occupational disease front. In fact during an interview with Business Insurance Rep. Miller discussed his continuing role. Excerpts from that interview follow.

Q: What do you think might be the dominant occupational disease in the 1990s?

A: I think clearly they are going to continue to be the major problems in the industrial sector of our economy — those dealing with chemicals and the steel industry and others. Those industries are going to remain and to continue to employ and expose billions of workers, and we can couple that with the long latency periods associated with occupational disease. That means that the government and the economy are going to have to continue to deal with the aftermath for decades. And, I think that even in the service sector, it's going to continue to involve surrounding employees, like hospital workers.

Q: Do you think that stress or the use of video display terminals may increase the incidence of occupational disease?

A: I think clearly we will see questions [illegible] raised around the new occupations. And what this really says is that, in all likelihood, we may very well have more and more workers who are disabled and unable to earn a living. The question is, who's going to absorb the costs of these workers?

Q: Who do you think should?

A: I think that the private sector has to understand that it is one of the costs of doing business. You can't ask people to subsidize American industry with their health, with their welfare. We've come far beyond that position.

Q: What then do you think the chances will be of this whole issue being resolved in Washington this session?

A: I think they're increasing, because I think that what there is historically very serious disagreement between the employer community and the labor community, there is now a greater understanding that this is a problem where they both share the cost in terms of

Continued on page 16

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Miller's views

Continued from page 14

loss of productivity and loss of profits and loss of workers' health and welfare. And, I think there's a greater understanding that both parties have to be in on the resolution of the situation.

Q: If employers and labor work this out, is there a need for Washington to get involved?

A: Well, it may be a question of facilitating the agreement in some cases it may be tax treatment, or it may be a whole host of areas.

Q: Are you going to introduce any occupational disease bills this session?

A: Yes. We've been working on legislation based upon our experience with Longshore.

Q: How will your new bills resemble the last one?

A: I think it will be along the same lines (as H.R. 3175), but what we're trying to do is to put more certainty into legislation with respect to the cost that various parties can anticipate. I think that's what you owe to the people who are going to be paying the bills.

Q: Will your bill just deal with asbestos, or will it take in the whole gamut of occupational disease?

A: Well, we like to think if we can provide a successful system for dealing with one of the larger known problems, that of asbestos, that that confidence would inspire others to join that system related to other toxics or inspire legislation in dealing with those problems, whichever would be necessary.

Q: It sounds to me like it's just going to serve as an asbestos. But, you did mention other toxics spinning off of it.

A: I like to solve problems. I'm not interested in rerunning problems every five or 10 years. The question is, do you want to set in motion a procedure so that when these kinds of problems arise in the future we can deal with them on a timely basis, before they're crises, before the big financial obligations and the interest on the money become so big that you have to start redesigning or start designing a whole new system from scratch. And clearly it has to have a great deal of balance so that it doesn't become a club to use by one entity with respect to another.

Q: When do you think that your package will be ready?

A: I hope early in the session.

Q: Are you going to be the key sponsor?

A: That's my intent.

Q: Is the issue of the federal government's asbestos liability going to move off center in the next two years?

A: Well, to the same degree that the private sector wants some certainty as to what their exposure is going to be. (The parties in the asbestos situation) have to give the federal government some idea of what they're talking about in terms of federal obligation. To date, there's been an open-ended obligation that's absolutely unacceptable to me, to the Congress and to the administration.

Q: Your proposal creates a federal system that will take a lot of the responsibility and the control away from the states. Are you sure that states are not really dealing with the occupational disease issue?

A: Yes. I think you continue to see state laws or state compensation programs riddled with loophole exemptions that deny occupationally diseased workers from adequate benefits, from timely consideration of those benefits. States are making changes in their laws, but as of now it's a patchwork system that is inadequate to address the needs of exposed workers.

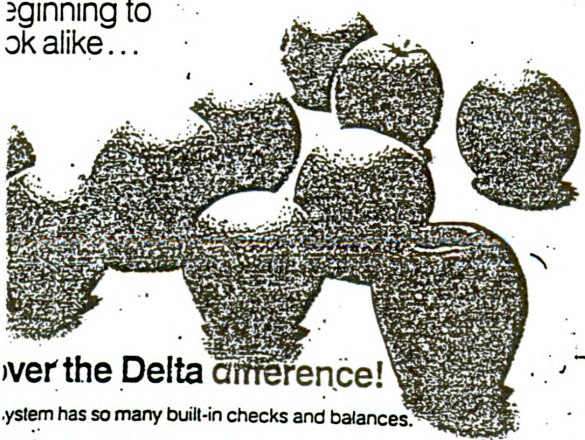
Q: You have often said there is not timely consideration for occupational disease claims. But what about people with regular claims? Do you make the same argument about their claims not being handled quickly?

A: Right. But, even more so for OD claims. They're more likely to be contested. They're more likely to have thresholds and limitations placed against their consideration, preventing their filing.

Q: If all the states clean up their work comp acts quickly, do you think the federal government will back off, as it has in the past after it's proposed heavy-duty federal reform?

A: I think it would certainly lower the threshold in terms of the need for federal legislation. Clearly, that's what happened

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By KATHRYN J. McINTYRE

WHITE SULPHUR SPRINGS, W. Va.—Recently enacted amendments to the Longshoremen's & Harbor Workers' Compensation Act serve as a model for reforming the compensation system for all occupational disease claims, contends a congressman who favors a federal system of compensating occupational disease victims.

"This legislation was the product of four years of very tough—and not always very amicable—negotiations," Rep. George Miller, D-Calif., told a joint meeting of the National Assn. of Casualty & Surety Agents and the National Assn. of Casualty & Surety Executives.

NACSA NACSE 1984 CONFERENCE

Rep. Miller, who is chairman of the House Labor Standards Subcommittee, was responsible for the occupational disease amendments to the Longshore Act, accepted by employers because they were winning important reforms in the act, such as a cap on increases in benefits, elimination of the non-work related death benefit and a ceiling on survivors benefits.

"The final product won the support of the maritime and insurance industries, as well as labor organizations. It unanimously passed the conference committee and both houses of Congress.

"Given this consensus," Mr. Miller said, "I believe the Longshore Act provides the basis for re-examining the issue of occupational disease compensation. I would hope that we might look to this new law as a prototype for more comprehensive legislation."

Rep. Miller has proposed legislation to create a federal system for compensating victims of occupational disease, privately funded by employers and manufacturers, that would supersede state compensation systems.



Mr. Miller

"While I believe this is a more workable and equitable system, it has encountered serious obstacles on the way to enactment," he admitted.

But, Rep. Miller stressed he is encouraged by his success in adding "important reforms in the area of occupational disease compensation" to the Longshoremen's & Harbor Workers' Compensation Act Amendment of 1984 (*BI*, Sept. 17).

"The Longshore Act modifies notice and filing requirements, establishes a clear basis for wage determinations and assures that those whose diseases manifest after retirement will qualify for benefits," Rep. Miller said.

Specifically, the amendments involving occupational disease:

- Authorize benefits for retirees who suffer permanent physical impairment from an occupational disease that manifests itself after retirement.
- Establish as the basis for compensation the claimant's last wage if the injury occurs a year or less after retirement. If the injury occurs more than one year after retirement, the national average weekly wage at the time of injury will be used for determining benefits. Death benefits will be based on the lesser of the applicable percentage of the national average weekly wage at the time of death or the last average annual earnings during the year prior to retirement.
- Require an employee or beneficiary to provide notice of the injury to the employer within one year and file the claim within two years after the employee or the beneficiary was aware, or by exercise of reasonable diligence or by reason of medical advice should have been aware, of the relationship between the employment, the disease and the disability or death.

"From my work on the enacted Longshore Act, I believe there exists fertile ground for industry, labor and Congress to work together cooperatively," Rep. Miller told the conference attendees. "Our

Continued on page 16

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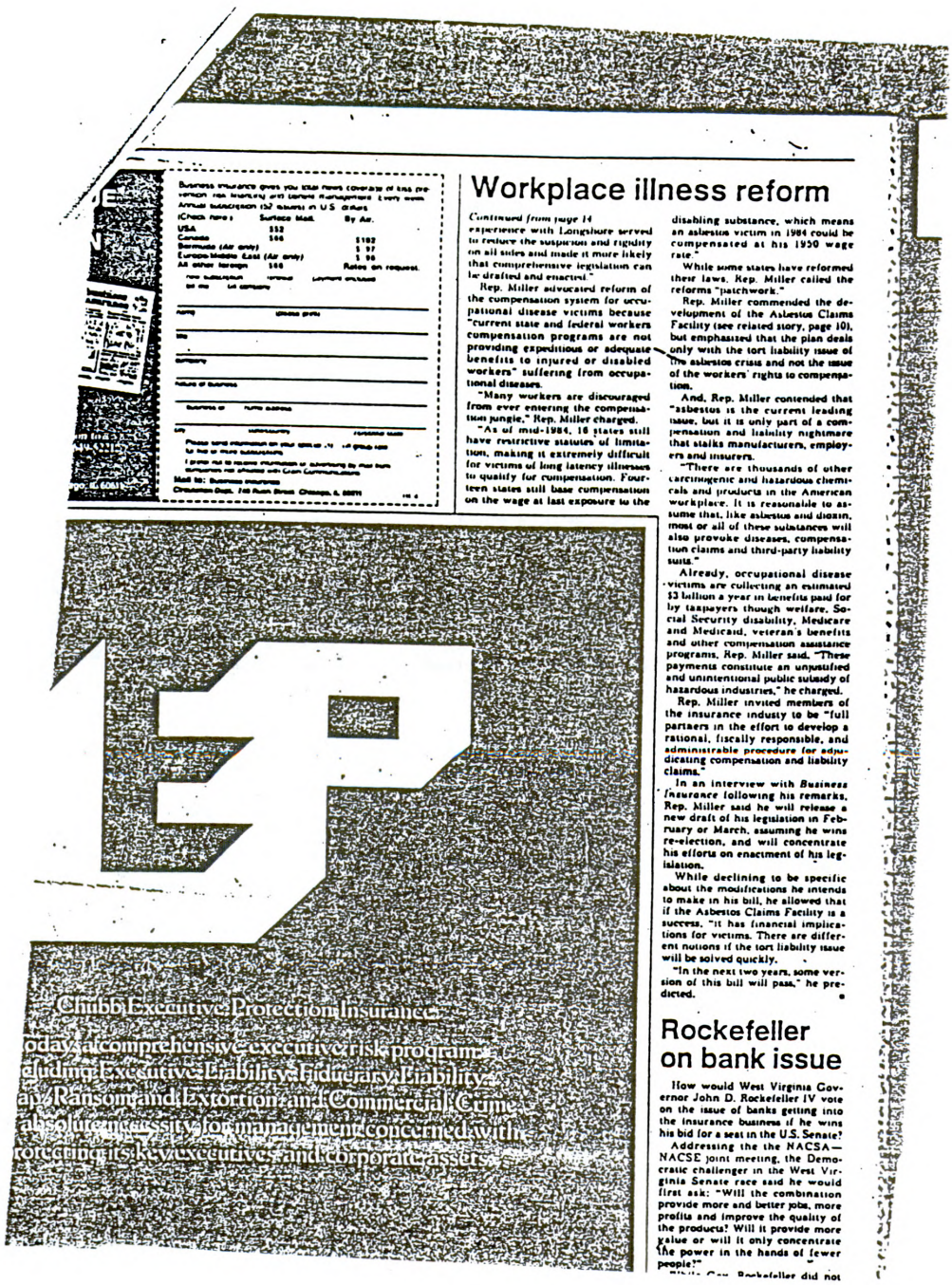
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Workplace illness reform

Continued from page 14

experience with Longshore served to reduce the suspicion and rigidity on all sides and made it more likely that comprehensive legislation can be drafted and enacted."

Rep. Miller advocated reform of the compensation system for occupational disease victims because "current state and federal workers compensation programs are not providing expeditious or adequate benefits to injured or disabled workers" suffering from occupational diseases.

"Many workers are discouraged from ever entering the compensation jungle," Rep. Miller charged.

"As of mid-1984, 16 states still have restrictive statutes of limitation, making it extremely difficult for victims of long latency illnesses to qualify for compensation. Fourteen states still base compensation on the wage at last exposure to the disabling substance, which means an asbestos victim in 1984 could be compensated at his 1950 wage rate."

While some states have reformed their laws, Rep. Miller called the reforms "patchwork."

Rep. Miller commended the development of the Asbestos Claims Facility (see related story, page 10), but emphasized that the plan deals only with the tort liability issue of the asbestos crisis and not the issue of the workers' rights to compensation.

And, Rep. Miller contended that "asbestos is the current leading issue, but it is only part of a compensation and liability nightmare that stalks manufacturers, employers and insurers.

"There are thousands of other carcinogenic and hazardous chemicals and products in the American workplace. It is reasonable to assume that, like asbestos and dioxin, most or all of these substances will also provoke diseases, compensation claims and third-party liability suits."

Already, occupational disease victims are collecting an estimated $3 billion a year in benefits paid for by taxpayers though welfare, Social Security disability, Medicare and Medicaid, veteran's benefits and other compensation assistance programs, Rep. Miller said. "These payments constitute an unjustified and unintentional public subsidy of hazardous industries," he charged.

Rep. Miller invited members of the insurance industry to be "full partners in the effort to develop a rational, fiscally responsible, and administrable procedure for adjudicating compensation and liability claims."

In an interview with *Business Insurance* following his remarks, Rep. Miller said he will release a new draft of his legislation in February or March, assuming he wins re-election, and will concentrate his efforts on enactment of his legislation.

While declining to be specific about the modifications he intends to make in his bill, he allowed that if the Asbestos Claims Facility is a success, "it has financial implications for victims. There are different notions if the tort liability issue will be solved quickly.

"In the next two years, some version of this bill will pass," he predicted.

Rockefeller on bank issue

How would West Virginia Governor John D. Rockefeller IV vote on the issue of banks getting into the insurance business if he wins his bid for a seat in the U.S. Senate?

Addressing the the NACSA—NACSE joint meeting, the Democratic challenger in the West Virginia Senate race said he would first ask: "Will the combination provide more and better jobs, more profits and improve the quality of the products? Will it provide more value or will it only concentrate the power in the hands of fewer people?"

Gov. Rockefeller did not

One of Ms. Metzroth's employees created a substitute to attend staff meetings.

It's not where but how you do job

By MARGARET LeROUX

NEW YORK—When she set the date to renew a $2.5 million group health insurance plan for Salomon Brothers in New York, Jane P. Metzroth had no idea she'd be negotiating from a hospital bed instead of at a conference table.

The insurer representatives that exchanged ideas on premiums and retrospective rating for major medical and surgical coverage with Ms. Metzroth, Salomon Brothers' vp and director of human resources, never did know.

That's because the resourceful human resources director figured out—quite creatively—how to keep up a full load of work while she was confined to bed because of complications of her pregnancy.

One of her assistants at the securities firm set up the policy renewal meeting as a conference telephone call, informing the insurance company representatives that her boss was in Florida at a convention.

"I had all my calculations done ahead of time," Ms. Metzroth said. "I knew what we wanted and instead of putting it all off until after the baby arrived, I decided to go ahead and get it over with.

"I don't think the results would have been any different had I done the negotiating in person," she said. Salomon Brothers actually "came out ahead" on the advance premium paid on the retrospectively rated policy, she adds.

Ms. Metzroth declined to name the insurer that writes Salomon Brothers' group health plan. "I don't want them to think I wasn't taking the negotiations seriously," she said.

"But, in terms of our bargaining position, I didn't want to reveal my life history to explain why I was in bed."

Although Ms. Metzroth was in bed in her home in New York, the insurers,

Continued on page 46

"These things aren't cheap," says the company's attorney, Craig D. Joyce of the Denver firm of Rooth & Brego. "It's kind of an expensive nuisance."

"No plaintiff has ever recovered and no claim has ever been paid," he adds. "But when you're sued, you have to respond."

Joseph Kurtiss, secretary of the Susquehanna Corp., Rockwool's parent corporation, estimates these suits cost the company about $1,000 each. It is estimated about 500 suits have been filed altogether, bringing total costs to several hundred thousand dollars.

Home Indemnity Co. in Manchester, N.H., is defending the cases, but Mr. Kurtiss points out there is a deductible on each claim, and the numerous claims could hurt Rockwool's loss experience, triggering higher premiums later.

The lawsuits are also very time-consuming, Mr. Kurtiss said. The time he spends addressing the claims is time taken away from other Rockwool business matters, and Rockwool's outside counsels are also involved.

Furthermore, Mr. Joyce points out, asbestos victims lose when companies are wrongfully named in suits. The time the plaintiffs' lawyers spend chasing Rockwool takes away

> approach. I suspect they look up insulation manufacturers and name them all. It's guilt by association," Mr. Joyce says.

In addition, there are other insulation manufacturers with names similar to Rockwool. For example, there is a Rock Wool Manufacturing Co. Inc. in Alabama that is a bona fide asbestos defendant.

The first case naming Rockwool was filed about three or four years ago, and the lawsuits are still coming in. The latest arrived within the last two months, Mr. Kurtiss said. Four have been filed in the last six months, adds Mr. Joyce.

When Rockwool is notified of a suit, it sends out a letter and an affidavit signed by a vp for manufacturing stating that Rockwool has never been involved with asbestos and explaining what rock wool is.

A copy of the complaint is also sent to the company's insurer.

The affidavit notes that Rockwool manufactures a single product—mineral wool insulation, which is a thermal insulation material intended for use in residential housing construction.

Rock wool is a byproduct of steel and copper slag that is transformed into fibers of mineral or rock wool.

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Federalize asbestos compensation: Attorney

By CAROL CAIN

ATLANTA—A federal compensation program for workers with asbestos injuries is the only way to curb escalating litigation and rising costs.

That's the belief of the attorney who helped draft a federal asbestos compensation bill, but he stood alone on a panel of five that tried to answer the question: Will occupational disease compensation be federalized?

The panel was sponsored by the National Council of Self-Insurers on the opening day of the annual convention of the International Assn. of Industrial Accident Boards & Commissions last month in Atlanta.

The others on the panel believe that the states, which are working on solutions to the multilateral problem, should continue to be the arena for workers compensation.

However, Michael Goldberg, chief counsel for the House Labor Standards subcommittee who worked on the asbestos bill introduced by Rep. George Miller, R-Calif., disagreed.

The workers compensation system has been in the "hold box" for about a decade, waiting for a fix-up remedy, but Rep. Miller's pending bill, H.R. 3175, would move it to the "out box," he said.

Rep. Miller's bill would establish a streamlined administrative mechanism under the Labor Department for delivering benefits and create a special task force within the department to expedite processing of asbestos claims (BI, May 30).

Statistics underscore that workers compensation, especially in the relatively new area of occupational disease, is not working—for the injured worker, the employer or the insurer, Mr. Goldberg said.

Instead of seeking compensation only through the work comp system, many workers exposed to asbestos are filing lawsuits against asbestos manufacturers, users and distributors. Currently about 25,000 lawsuits are pending nationwide.

"As we see it, a lot of people are sick, in need of compensation," said Mr. Goldberg. "The workers compensation system is responding inadequately to these workers.

"The unanticipated reliance on the tort system has proven itself to be destructive, slow, inadequate to the victim, but costly to the defendant and disruptive for business. And, there will be a lot of asbestos cases—workers comp liability cases against the employer and third-party tort liability cases against the manufacturer," he said.

The options to deal with "the world as it is today," Mr. Goldberg said, include:

- Do nothing.
- Fix the state work comp laws.
- Fix the product liability law.
- Draw a new social compact that tries to construct a new workers compensation system that deals with the world as it is today.

The final option is the thrust of Rep.

Continued on page 33

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Should workers comp be federalized?

Continued from page 3

Miller's bill, Mr. Goldberg said.

"It merges the workers comp remedies and tort remedies into a single no-fault compensation system that provides an integrated funding mechanism through which the parties that are currently bearing that responsibility—the manufacturers and the employers—may fund those benefits in a more efficient, reasonal and more businesslike fashion," he said.

But, "federalization and occupational disease are not necessarily compatible," said Robin Obetz, executive secretary to the Ohio Self-Insurers Assn.

"You're trying to plug in new medical problems in old areas," he said.

The National Assn. of Insurance Commissioners and the IAIABC oppose federalization of workers compensation and point to three current federal programs that are costing much more than originally anticipated: the Longshoremen's and Harbor Workers Compensation Act, the Black Lung program and the Federal Employees' Compensation Act.

"Every workers compensation program that the federal government has touched has rapidly become a high-cost, poorly administered disaster," said Daniel Minnick, an attorney with Jones & Laughlin Steel Corp. in Pittsburgh and president of the NCSI.



Mr. Goldberg

"From the viewpoint of most employers, the only good federal program in the workers compensation area is one that never saw the light of day in a legislative committee," Mr. Minnick said.

"I want to make it clear that self-insurers are not opposed to employees receiving occupational disease benefits if they are legitimately disabled from occupational diseases. But we think these benefits should be provided under state occupational disease laws," he said.

The IAIABC generally opposes any legislation that would tend to federalize the system or split off any part of a state system and put it into a federal system, said Robin Waller, a commissioner on the Connecticut Workers' Compensation Commission.

He said commissioners are aware that there is a problem in the area of compensation for occupational disease, but he added that the commissioners disagree with the preamble of Rep. Miller's bill that says state work comp systems are not and cannot handle the claims.

"To the contrary, our position is that local compensation systems can handle the problem...that's why we're drafting a model bill."

That model bill is in the infant stage, but should be ready sometime next year, Mr. Waller estimates. The insurance industry also is looking at a state-by-state solution to deal with occupational disease claims.

The fifth member of the panel, Leslie Cheek, vp-federal affairs at Crum & Forster in Washington capsulized the findings of a report by his company and released this summer (*BI*, Aug. 1).

"Our position reminds me somewhat of a series of Fram automotive filter television commercials several years ago. The ads featured a hard-bitten auto mechanic whose view of the timing of the work he did on his customers' cars was invariably summed up with the phrase, 'You can pay me now, or...you can pay me later.'

"To apply the mechanic's philosophy to the occupational disease problem, it seems to us that we have a clear choice between paying for a tuneup, an oil change and new air and oil filters on the state workers compensation engine now, or paying for a rusty new federally designed engine when the old one freezes up," Mr Cheek said.

He also labeled the three federal work comp programs as "expensive, cumbersome and inefficient."

The Crum & Forster report contains a dozen broad recommendations for state action. One on the funding of benefits is being further developed by the American Insurance Assn., the NAIC and the IAIABC, with staff assistance from the National Council on Compensation Insurance, Mr. Cheek said.

Since the Crum & Forster report was released, it has been praised for its elaborate efforts and for publically noting that the system is broken, and criticized for not going far enough.

"I believe many of the recommendations (in the report) will lead to substantially increased occupational disease insurance premiums for many employers and increased costs for the self-insured employers," Mr Minnick said.

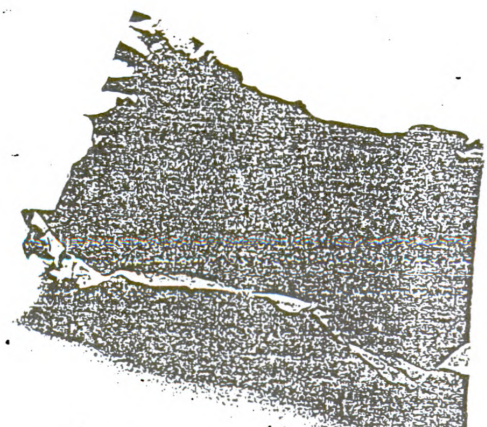
One of those recommendations suggests that the last employer that exposed a worker to a harmful substance or condition in the workplace pay full benefits to the worker or his or her dependents.

"Occupational disease is usually created from numerous causes or from exposure in the workplace from several different employers. It is not fair for the last employer to pay the entire bill," Mr. Minnick said. "By taxing the last person to pay this bill, it will discourage people from hiring the handicapped." ■

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Mr. HERMILLER. Thank you, Mr. Chairman. My name is James Hermiller. I am president of the Alyeska Pipeline Service Company.

I am appearing before the Committee on Interior and Insular Affairs to tell what you I know about the investigation by The Wackenhut Company into thefts or leaks of highly confidential and privileged Alyeska documents.

As you know, Alyeska has cooperated fully in furnishing information to the committee—including a significant amount of material which would never be produced in litigation because it is subject to the attorney-client privilege.

Let me briefly outline my professional background. In 1966, I joined Sohio as a chemist. Over the next 18 years, I served at Sohio in a variety of positions. In 1984, I was appointed vice president-general manager of the Industrial Chemicals Division for Sohio. In August 1986, I was appointed vice president, refining for BP Oil. In May 1989, I became executive vice president and chief operating officer at Alyeska.

In October 1989, I became president of Alyeska. As president, I was responsible for a whole range of issues and problems, including not only the day-to-day management and operation of Alyeska, but also, beginning in early 1990, the complete reorganization of the company.

I became president of Alyeska shortly after the *Exxon Valdez* spill. Public confidence in the large oil companies and in Alyeska was low. I considered it a top priority to do everything in my power to restore that public confidence.

I took aggressive steps to deal with the aftermath of the Valdez spill, including the development of a spill prevention response plan in Prince William Sound, which I consider to be the finest such plan in the world. I believe that I have been open and attentive to the concerns of all Alaskans, and that I have been successful in demonstrating to them that Alyeska shares their determination to protect and preserve our environment.

The Valdez spill gave rise to an extraordinary amount of litigation. Alyeska and the other companies found themselves defending literally dozens of lawsuits. In the course of deciding how to deal with those lawsuits, Alyeska—like any other defendant in litigation—consulted with legal counsel. Among those counsel were lawyers from the Los Angeles law firm Gibson, Dunn & Crutcher. Those consultations with counsel were, of course, highly privileged and confidential.

To my great distress, and to the distress of the owners of Alyeska, we learned at the beginning of 1990 that certain legal documents containing our confidential communications with our counsel in the Valdez litigation had been stolen or leaked. One such document was actually shown on a British television program called the *Scottish Eye.*

The owners of Alyeska and I viewed the unauthorized dissemination of these highly confidential documents as intolerable. The theft or leaking of these documents, coupled with my preexisting concern over previous unauthorized dissemination of technical and legal documents, led me to conclude that steps should be taken to

determine who was stealing or leaking the documents from within Alyeska.

In early February 1990, I spoke about this matter with J. Patrick Wellington, chief of security for Alyeska, and subsequently with his immediate supervisor, Mr. Steven Dietrich, vice president of administration. Mr. Wellington had been at Alyeska for 12 years; before that, he had served as director of the Alaska State Troopers and as commissioner of the Alaska Department of Public Safety.

As I recall, I asked Mr. Wellington what could be done about the theft or leaking of Alyeska's documents. Mr. Wellington made contact with The Wackenhut Company, which had long provided security to Alyeska through a subsidiary. Mr. Wellington informed me that Wackenhut could undertake an investigation into the theft or leaking of the Alyeska documents, and I authorized that investigation. I understood Wackenhut to be one of the world's most prominent and reputable investigative firms.

At all times, it was my intention that the investigation proceed in strict compliance with the law. The Wackenhut investigation began in March 1990. Mr. Wellington briefed me periodically on the progress of the investigation.

During the course of the investigation, Mr. Wellington informed me that Wackenhut had confirmed that Mr. Charles Hamel was in possession of numerous stolen or leaked Alyeska documents, including legal documents prepared for Alyeska by lawyers at Gibson, Dunn & Crutcher.

Mr. Wellington also told me that certain Wackenhut representatives were posing as members of an environmental organization, that Mr. Hamel's trash was being collected and searched, and that certain conversations between Wackenhut representatives and Mr. Hamel were being recorded—all in an effort to learn how Mr. Hamel had obtained confidential documents from Alyeska's files.

I wish to stress that I was told, and I believed, that all of these investigative techniques were lawful and proper.

In May 1990, the Miami law firm of Richey, Munroe, Fine & Goodman was retained to furnish advice in connection with the investigation. The two members of that firm principally involved in advising Alyeska—Mr. William Richey and Mr. Jonathan Goodman—both are former prosecutors with a wealth of criminal law experience. It was my understanding that the Richey, Monroe firm remained involved in the investigation until its conclusion.

Also, in approximately July 1990, Mr. Wellington and I advised then-Alyeska general counsel Alfred T. Smith about the investigation. Mr. Smith, in turn, involved one of his top attorneys, Mr. Lon Trotter. Mr. Smith also retained the prominent law firm of Baker & Hostetler McCutchen Black and also Alaska attorney Edward Boiko.

To my knowledge, none of these lawyers ever indicated any doubt about the legality of the activities undertaken by Wackenhut in the course of this investigation. I felt comfortable in the conduct of the investigation given the involvement and oversight of these experienced attorneys.

By the end of August 1990, it had become apparent to me and others that the investigation would produce little additional information on the source of the stolen or leaked Alyeska documents. I

discussed with counsel various options, including whether Alyeska could file a civil lawsuit against Mr. Hamel.

On September 25, 1990, I met with representatives of several Alyeska Owner Companies in Denver to discuss these options. After discussion, the owners directed that the investigation be halted. The owners reiterated this directive at a subsequent meeting in La Costa, California on October 3, 1990. I complied at once with the owners' instructions.

The investigation into the stolen or leaked documents stopped, and Wackenhut was directed to disengage from Mr. Hamel as quickly as possible.

In retrospect, while the Wackenhut investigation was legal, its implementation may not have been wise. It is not enough for Alyeska to operate within the law. The company must also operate within the limits of a public consensus about the conduct of large corporations.

It is now clear that the damage to Alyeska's reputation in Alaska and in Congress outweighs the benefits that have resulted from the investigation.

At the time, however, I believed that the investigation was justified by the extremely serious harm that Alyeska had suffered and was suffering from the theft or leaking of its highly confidential documents. Indeed, whatever else may be said about the investigation, it confirmed the seriousness of the problem Alyeska faced: Mr. Hamel, in fact, had in his possession hundreds of pages of stolen or leaked Alyeska documents, including highly confidential legal documents, and he appeared intent on using those documents.

I want to reiterate that at no time during the investigation into the stolen or leaked Alyeska documents did I believe that anything done was unlawful or improper. Had I thought so, I would have halted the investigation immediately.

Moreover, it was never my intention to interfere in any manner with the workings of this committee, with its chairman, or with any other Member of Congress. I hold the Congress as an institution in the highest respect, and I have particular regard for this committee and the work it does. It is my hope we can put this matter behind us and work together on the pressing issues we face. I'd be happy to answer questions, Mr. Chairman.

The CHAIRMAN. Thank you.

[Prepared statement of Mr. Hermiller follows:]

STATEMENT OF JAMES B. HERMILLER
TO THE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
NOVEMBER 5, 1991

My name is James B. Hermiller. I am President of the Alyeska Pipeline Service Company. I am appearing before the Committee on Interior and Insular Affairs to tell you what I know about the investigation by the Wackenhut Corporation into thefts or leaks of highly confidential and privileged Alyeska documents. As you know, Alyeska has cooperated fully in furnishing information to the Committee--including a significant amount of material which would never be produced in litigation because it is subject to the attorney-client privilege.

Let me briefly outline my professional background. In 1966, I joined Sohio as a chemist. Over the next 18 years, I served at Sohio in a variety of positions. In 1984, I was appointed Vice President-General Manager of Industrial Chemicals for Sohio. In August 1986, I was appointed Vice President, Refining for BP Oil. In May 1989, I became Executive Vice President and Chief Operating Officer of Alyeska.

In October 1989, I became President of Alyeska. As President, I was responsible for a whole range of issues and problems, including not only the day-to-day management and operation of Alyeska, but also, beginning in early 1990, the complete reorganization of the company. I became President of Alyeska shortly after the Exxon Valdez spill. Public confidence in the large oil companies and in Alyeska was low. I considered it a top priority to do everything in my power to restore that

public confidence. I took aggressive steps to deal with the aftermath of the Valdez spill, including the development of a spill prevention response plan in Prince William Sound, which I consider to be the finest such plan in the world. I believe that I have been open and attentive to the concerns of all Alaskans, and that I have been successful in demonstrating to them that Alyeska shares their determination to protect and preserve our environment.

The Valdez spill gave rise to an extraordinary amount of litigation. Alyeska and the other companies found themselves defending literally dozens of lawsuits. In the course of deciding how to deal with those lawsuits, Alyeska--like any other defendant in litigation--consulted with legal counsel. Among those counsel were lawyers from the Los Angeles law firm Gibson, Dunn & Crutcher. Those consultations with counsel were, of course, highly privileged and confidential.

To my great distress, and to the distress of the owners of Alyeska, we learned at the beginning of 1990 that certain legal documents containing our confidential communications with our counsel in the Valdez litigation had been stolen or leaked. One such document was actually shown on a British television program called The Scottish Eye. The owners of Alyeska and I viewed the unauthorized dissemination of these highly confidential documents as intolerable. The theft or leaking of these documents, coupled with my preexisting concern over previous unauthorized dissemination of technical and legal

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by lawyers at Gibson, Dunn & Crutcher. Mr. Wellington also told me that certain Wackenhut representatives were posing as members of an environmental organization, that Mr. Hamel's trash was being collected and searched, and that certain conversations between Wackenhut representatives and Mr. Hamel were being recorded--all in an effort to learn how Mr. Hamel had obtained confidential documents from Alyeska's files. I wish to stress that I was told, and I believed, that all of these investigative techniques were lawful and proper.

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James B. Hermiller

James B. Hermiller

Sworn to and subscribed before me this 31st day of October, 1991.

Notary Public

My Commission Expires:

JUDITH L. NIGRO
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires March 31, 1993

The CHAIRMAN. Mr. Wellington.

Mr. WELLINGTON. Mr. Chairman, Mr. Young, Members of the committee, I have a 35-year record of service in Alaska to law enforcement and other public positions. I mention this because it relates directly to my role in the implementation of the Wackenhut investigation.

My personal and professional background is outlined in the statement that I have already submitted to the committee, so I will not repeat it here.

In summary, I want the committee to know that I have had the honor to work for every Governor since Alaska became a State. Among other jobs, I served in the late Governor Bill Egan's cabinet as commissioner of public safety and Governor Jay Hammond's position as director of the Alaska State Troopers.

I have been elected three times to the Public Employees Retirement Board for the State of Alaska. I am a member of many professional and volunteer groups, and I have lived in Alaska all my life.

The purpose of the investigation was to identify the persons stealing confidential Alyeska documents, recover stolen confidential documents, and prevent further thefts.

Mr. Chairman, there were three purposes of the investigation. This is the subject of this hearing. First, to find the source of the thefts within Alyeska. Second, to secure the return of any stolen documents, if possible. And third, to ensure that there be no further thefts of documents.

A confirmation of incidents of stolen confidential documents or information dictated Alyeska's decision to commence the investigation. In late January 1990, about 1 month prior to the onset of the investigation, a British television program, *Scottish Eye,* showed a cover page of a confidential attorney-client privileged memorandum authorized by outside counsel representing Alyeska.

The memorandum contained confidential legal advice directly related to ongoing legal proceedings concerning the *Exxon Valdez* oil spill. The document had been prepared only a few months before the broadcast.

At the time of the document's theft and subsequent disclosure, there was ongoing litigation affecting Alyeska in both the State and Federal arena. Under these circumstances, the identification of the source of the thefts of the privileged legal documents concerning matters of major importance to Alyeska and the return of these stolen documents were legitimate goals for Alyeska management and my security department.

Thus, a policy decision was made to initiate the investigation. The suspicion at the time the investigation was initiated was that other sensitive legal documents had also been stolen from Alyeska.

The suspicion was confirmed during the investigation when numerous attorney-client privileged documents, including the *Scottish Eye* memorandum and other voluminous Alyeska internal documents, were discovered in Mr. Hamel's home.

Prior to the initiation of the investigation, Mr. Hamel had bragged to the press that he possessed Alyeska documents. His public admission that he had received Alyeska property invited an

investigation to determine if he knew the identity of the actual source of the theft of these documents.

There were other incidents of documents and information being stolen from Alyeska prior to the initiation of the investigation. For example, in 1989, Alaska police authorities recovered a box of technical internal documents in the trunk of an impounded vehicle. The box was addressed to Mr. Charles Hamel. In another instance, a detailed hand-drawn diagram of an Alyeska facility was leaked to the press and shown on Alaska television.

No. 2, Alyeska engaged The Wackenhut Company to conduct an investigation that was legal, that would eventually be exposed to the public review, and would obtain evidence to be submitted in a court of law.

Alyeska engaged Wackenhut to conduct the investigation. Wackenhut's national reputation as a highly respected company was known to Alyeska management and to me.

Under a separate contract with Alyeska, Wackenhut performs security for the entire 800 miles of the Trans-Alaska pipeline and our Valdez facility for the past 15 years.

With respect to the investigation into the thefts of privileged documents, I gave at the outset explicit instructions to Wackenhut management that every aspect of the investigation be conducted legally.

The president, vice president, CEO of the company, and all individuals involved in the investigation were charged with this. To my knowledge, this instruction was carried out.

In addition, Wackenhut management understood and concurred from the beginning that the entire operation would be conducted in such a way that the investigative methods would be subject to public scrutiny and all evidence, all evidence, obtained might be used in a court of law at a later date, including possible criminal or civil prosecutions to stop the thefts and to recover the stolen property.

Item No. 3: Alyeska was advised by counsel during the course of the investigation that the methodology of the investigation was legal. Various lawyers as well as management of Alyeska were informed, approved, or reviewed virtually every aspect of the investigation as it proceeded.

The attorneys who were consulted or provided advice to Alyeska included in-house counsel for Wackenhut, in-house counsel for Alyeska, two private attorneys in Florida who had extensive Federal and State prosecutorial experience, private counsel from California who were retained to prepare civil lawsuits to recover stolen documents, and private counsel in Alaska who was retained to assist private counsel in California. None of these attorneys advised Alyeska or me that any Wackenhut activities were illegal at any time.

Next point: A policy decision was made to terminate the investigation. After several months, Alyeska owners and management made a policy decision to terminate the investigation. I followed the instructions given to me and immediately ordered Wackenhut to cease the operation and to begin an orderly shutdown.

In conclusion, Mr. Chairman, the severity of the problem of privileged and confidential Alyeska documents being stolen strikes at

the heart of Alyeska's internal security. Threats to Alyeska due to thefts of such documents demand that preventive and remedial measures be taken.

Moreover, it is important to determine the extent of the thefts and identify other possible recipients of stolen documents. The Wackenhut investigation, implemented to collect evidence for use in a court of law and reviewed by various attorneys on an ongoing basis, was designed to be a legal response to this situation.

Thank you very much, and I invite your questions.

The CHAIRMAN. Thank you for your testimony.

[Prepared statement of Mr. Wellington follows:]

STATEMENT OF JAMES PATRICK WELLINGTON

I. INTRODUCTION

Mr. Chairman, Mr. Young, Members of the Committee:

My name is Pat Wellington. I am the Manager of Corporate Security at the Alyeska Pipeline Service Company. I appear before you today to assist the Committee in its hearing on an investigation conducted by Alyeska into the theft of sensitive legal and confidential documents.

At the outset, it may be helpful for me to outline my personal and professional background so that the Committee will have a complete understanding of my experience and responsibilities as they relate to my role in the implementation of the investigation.

II. RECORD OF LAW ENFORCEMENT PUBLIC SERVICE

Prior to becoming Alyeska's Manager of Corporate Security in 1978, I served the people of Alaska in a number of jobs. Perhaps the most prominent position I held was Commissioner of the Alaska Department of Public Safety, which was a cabinet level position. I was appointed to that office in February 1974, after more than three years as the Deputy Commissioner in the same Department. My appointment followed fifteen years of service to Alaska in several law enforcement agencies. From 1955 to 1962, I was a member of the Seward Police Department in Seward, Alaska; I served as a Deputy United States Marshal for the Territory of Alaska; and I was a member of the Alaska State Troopers in Anchorage and Juneau. In 1962, I became the Assistant Chief of Police of the Juneau Police Department and became the Chief of the Juneau Police Department in 1963, serving in that post for seven years. In 1975, I was appointed to be the Director of the Alaska State Troopers, and I directed the Troopers for three

years. During my time of public service, I have worked for every Governor since Alaska became a state.

I continue to serve the law enforcement community through membership in various professional groups. I am now the Chairman of the Alaska State Troopers Golden Anniversary Committee. I am a life member and past president of the Alaska Association of Chiefs of Police, a life member and past president of the Alaska Peace Officers Association, a member and past-president of the FBI National Academy, a life member of the International Association of Chiefs of Police, and of the Alaska Police Officers Association.

Since retiring from the State Troopers in December 1977, I have been involved with providing security for the Trans-Alaska pipeline, including brief service with one of its shareholders. As Alyeska's Manager of Corporate Security, I organize and manage one of the most elaborate private security departments in the country. The department provides a secure environment for the

800 miles of pipeline that carries almost 25% of the domestic oil supply.

In addition to my employment in law enforcement, I have volunteered my time to serve the public. I am currently serving my third, six-year term as one of two elected members of the Alaska Public Employee Retirement Board, having been elected by the 40,000 city, state and retired employees who belong to the Alaska retirement system. I have also volunteered as an Assistant Fire Chief in Douglas, Alaska, as Vice Chairman of the Anchorage Crime Commission, and as a member of the Budget and Fiscal Review Committee of Mayor Thomas Fink of Anchorage. I am presently the District Chairman of the Employers in Support of the Guard and Reserve Department of Defense Committee, and am also a member of the Anchorage Food Bank.

My military service includes two years in the United States Army at Fort Richardson, Alaska, and I am a member of AMVETS.

Finally, I belong to the Juneau Elks Lodge, Seward Masonic Lodge and the Shriners Nile Temple of Seattle.

I was born in Alaska and have lived there my entire life. I have been married since 1958. I have four children and six grandchildren.

III. THE PURPOSE OF THE INVESTIGATION WAS TO IDENTIFY THE PERSON(S) STEALING CONFIDENTIAL ALYESKA DOCUMENTS, RECOVER STOLEN DOCUMENTS, AND PREVENT FUTURE THEFTS

Mr. Chairman, there were three purposes of the investigation that is the subject of this hearing: first, to find the source of the thefts within Alyeska; second, to secure the return of any stolen documents, if possible; and third, to ensure that there be no future thefts of documents. A confirmed instance of stolen confidential documents or information dictated Alyeska's decision to commence the investigation. In late January 1990, about one month prior to the onset of the investigation, a British television program, Scottish Eye, showed the cover page of a confidential, attorney-client privileged memorandum authored by an

outside lawyer representing Alyeska. The memorandum contained confidential legal advice directly related to ongoing legal proceedings concerning the Exxon Valdez oil spill. The document had been prepared only a few months before the broadcast. At the time of the document's theft and subsequent disclosure, there was other ongoing litigation affecting Alyeska in both the state and federal arenas. Under these circumstances, the identification of the source of the thefts of privileged, legal documents concerning matters of major importance to Alyeska, and the return of those stolen documents were legitimate goals for Alyeska management and my security department. Thus, a policy decision was made to initiate the investigation. The suspicion at the time the investigation was initiated was that other sensitive, legal documents had also been stolen from Alyeska. That suspicion was confirmed during the investigation when numerous attorney-client privileged documents, including the Scottish Eye memorandum, and

voluminous other Alyeska internal documents were discovered in Mr. Hamel's home.

Prior to the initiation of the investigation, Mr. Hamel bragged to the press that he possessed Aleyska documents. His public admission that he had received Alyeska property invited an investigation to determine if he knew the identity of the actual thief of those documents.

There were other instances of documents and information being stolen from Alyeska prior to the initiation of the investigation. For example, in 1989, Alaska police authorities recovered a box of technical internal Alyeska documents in the trunk of an impounded car. The box was addressed to Charles Hamel. In another instance, a detailed, hand-drawn diagram of an Alyeska facility was leaked to the public and shown on Alaska television.

IV. ALYESKA ENGAGED WACKENHUT TO CONDUCT AN INVESTIGATION THAT WOULD BE LEGAL, THAT WOULD EVENTUALLY BE EXPOSED TO PUBLIC REVIEW AND THAT WOULD OBTAIN EVIDENCE ADMISSIBLE IN A COURT OF LAW

Alyeska engaged Wackenhut to conduct the investigation. Wackenhut's national reputation as a highly respected investigatory company was known to Alyeska management and to me. Under a separate contract with Alyeska, Wackenhut's performance in providing security for the pipeline for fifteen years has been exemplary. With respect to the investigation into the thefts of privileged documents, I gave at the outset explicit instructions to Wackenhut management that every aspect of the investigation be conducted legally. The president and vice president of Wackenhut, as well as the individual charged with carrying out the investigation, acknowledged my instructions. In addition, Wackenhut management understood and concurred from the beginning that the entire operation would be conducted in such a way that the investigatory methods would be subjected to public scrutiny and that all evidence obtained during the investigation would be

admissible in open court, including possible criminal prosecutions, to stop the thefts and to recover stolen documents.

V. ALYESKA WAS ADVISED BY COUNSEL DURING THE COURSE OF THE INVESTIGATION THAT THE METHODOLOGY OF THE INVESTIGATION WAS LEGAL

Various lawyers, as well as management of Alyeska, were informed of, approved or reviewed virtually every facet of the investigation as it proceeded. The attorneys who were consulted or provided advice to Alyeska included in-house counsel for Wackenhut, in-house counsel for Alyeska, two private attorneys in Florida who had extensive federal and state prosecutorial experience, private counsel from California retained to prepare a civil lawsuit to recover stolen documents, and private counsel in Alaska assigned to assist California counsel. None of these attorneys advised Alyeska or me that any of Wackenhut's activities were illegal.

VI. A POLICY DECISION WAS MADE TO TERMINATE THE INVESTIGATION

After several months, Alyeska's owners and management made the policy decision to terminate the investigation. I followed the instructions given to me and immediately ordered Wackenhut to cease the operation and begin an orderly shut down.

VII. CONCLUSION

The severity of the problem of privileged and confidential Alyeska documents being stolen strikes at the heart of Alyeska's internal security. Threats to Alyeska due to the thefts of such documents demanded that preventive and remedial measures be taken. Moreover, it was important to determine the extent of the

thefts and identify other possible recipients of the stolen documents. The Wackenhut investigation, implemented to collect evidence for use in a court of law and reviewed by various attorneys on an ongoing basis, was designed to be a legal response to the situation.

James Patrick Wellington

SWORN TO AND SUBSCRIBED before me this 4th day of November, 1991.

NOTARY PUBLIC

MY COMMISSION EXPIRES:

(NOTARIAL SEAL)

CLEMMIE M. WILSON
District of Columbia
My Commission Expires
October 31, 1995

The Chairman. Mr. Richey, we spent a lot of time this morning discussing Mr. Wayne Black. How long have you known him?

Mr. RICHEY. I think about 12 years.

The CHAIRMAN. You have done other legal work for him, prior to his time at Wackenhut?

Mr. RICHEY. I met Mr. Wayne Black when I was chief assistant State attorney in Dade County. Mr. Black was a Metro Dade County police officer especially assigned to the DEA for undercover drug work, was a good quality, serious policeman assigned over to the Feds.

The CHAIRMAN. So he worked on cases that you had or your division had?

Mr. RICHEY. That the State attorney's office had. I was chief of all special prosecutions and special investigations for the Dade County State attorney's office. This included narcotics, organized crime, economic fraud, consumer fraud, public corruption, that kind of thing. And I met Mr. Black through those contacts.

We then hired Mr. Black and he came to work for the Dade County State attorney's office as a supervisor in the investigative unit. The State attorney's office has its own investigative unit with which we investigated police officers, public corruption, and certain kinds of special investigations. Mr. Black participated in that.

He subsequently—I left the State attorney's office in 1981. He became a private investigator, and I employed him to work for me on various matters over the years.

The CHAIRMAN. In your private practice?

Mr. RICHEY. Yes, sir.

The CHAIRMAN. I am not sure that I am quite clear. Your involvement in this matter came how? Through Mr. Black or through Alyeska?

Mr. RICHEY. Through Mr. Black. Mr. Black telephoned me around the middle of the day one day in May, and said, I have a very important matter, I would like to see you right away, as soon as I possibly can, and discuss it with you. And I could not see him until about 5:00 that afternoon, and I arranged for him to come in, I think 4:30, 5:00, and we began meeting with him around 5:00 in the afternoon.

He told me that the client was Alyeska, that I was being employed by Alyeska, that he was an agent of Alyeska working on this investigation, that they had been the victim of serious criminal activity by persons inside the corporation, and that he had been investigating and attempting to find the leaks of attorney-client privileged documents.

There had been some sort of television show or program involved in exhibiting attorney-client privileged documents, and this had caused quite an uproar at Alyeska, as I understood it. And based upon this he started an investigation sometime before, and came into my office to discuss the fact that the preceding day, he had had a meeting with Mr. Charles Hamel in Virginia, and Mr. Hamel had made mention of you, and had some discussions about you, and Mr. Black was concerned about this, and wanted, you know, he and/or Mr. Wellington and/or Mr. Hermiller, I am not sure exactly how the concern was organized and expressed, but Mr. Black wanted to see me about the investigation in general, working with

them on the investigation as they had legal questions, because it had become a much more sensitive and serious matter, they felt, when your name was mentioned. That is how I got involved.

The CHAIRMAN. Now, the investigation had been going on how long before you met with Mr. Black? The May 17 meeting, isn't it?

Mr. RICHEY. Yes, sir, it is May 17, and I believe there had been some initial contact by Mr. Wellington in February, but the investigation really hadn't been doing much until March. So I think it was March, April, May—just a second, let me—well, I think that's correct. I think that's correct.

The CHAIRMAN. And in this conversation you had with Mr. Black, my understanding from your memo is, if it is me, I was not identified, just that a Congressman's name had come up. Did he identify the Congressman to you?

Mr. RICHEY. I believe your name was mentioned, that you were the person who was mentioned.

The CHAIRMAN. I don't want to ask you if you knew who I was.

Mr. RICHEY. Excuse me.

The CHAIRMAN. I am sorry.

Mr. RICHEY. I apologize to all the Members of the committee. Mr. Johnston, who's not here now, is the only Member of your committee of whom I was aware. He's a very prominent and respected person in Florida.

The CHAIRMAN. As opposed to the rest of the Members——

Mr. RICHEY. You are not in Florida. I am sure you are prominent and respected.

The CHAIRMAN. I am reading from your May 22 memo on the first page about the allegations that "a U.S. Congressman has been . . . requesting the theft of confidential" material. So you didn't identify it in your memo, but you may have known the identity—my identity or a Congressman's identity? [See page 453.]

Mr. RICHEY. I believe we knew your identity, yes, sir, and I requested Mr. Black——

The CHAIRMAN. Did he describe to you how that had taken place, how that had come about? You just said essentially that Mr. Black said that this had come up in some contacts he had with Mr. Hamel. Did he go through the kinds of contacts or the situation in which that came up?

Mr. RICHEY. He indicated he had been in Virginia the preceding day, that he had just come back, that he had been with Mr. Hamel part of that day, and that your name had come up, discussions about you had come up, and it caused him concern.

The CHAIRMAN. Mr. Hermiller, what is the *Scottish Eye* program?

Mr. HERMILLER. *The Scottish Eye* program, Mr. Chairman, was a program about the *Exxon Valdez* oil spill, and the response to that spill.

The CHAIRMAN. During this program, a document, an internal document of Alyeska's, appeared, I guess?

Mr. HERMILLER. It was an attorney-client privileged document that related to——

The CHAIRMAN. Of Alyeska's.

Mr. HERMILLER. Yes. It had been prepared by outside counsel.

The CHAIRMAN. It was not one of the parent companies, was it?

Mr. HERMILLER. It was an Alyeska document.

The CHAIRMAN. That was shown on TV?

Mr. HERMILLER. That is correct.

The CHAIRMAN. Mr. Richey says that caused an uproar. What was the uproar?

Mr. HERMILLER. I think "uproar" may be an overstatement. There was great concern expressed on the part of the owners and in Alyeska itself that a confidential, privileged document could get out of the system, first of all, and even more ridiculous, that it could be shown on TV. That was the concern.

And beyond that, if that document were getting out of the system, how many other documents were getting out of the system?

The CHAIRMAN. So you went to Mr. Wellington, and asked, how can this be stopped?

Mr. HERMILLER. I think first I talked to our general counsel at Alyeska, and I think we both talked to Mr. Wellington, and at that point in time, we just discussed the loss of these documents. Later I talked to Mr. Wellington and asked him how we could prevent the loss of these documents.

The CHAIRMAN. Mr. Wellington, I am just reading from your conclusion, when you say that the "Alyeska documents being stolen strikes at the heart of Alyeska's internal security." By that you mean what? Let me ask you, do you mean the internal management of the entity?

Mr. WELLINGTON. What I mean, Mr. Chairman——

The CHAIRMAN. There are two types of security. There is a physical threat to the pipeline, the ships, that you also have to deal with.

Mr. WELLINGTON. I am prepared to answer your question. The statement that I said here dealt with what we considered to be a very serious breach of our security at the corporate level, where a client's private, very privileged legal documents found their way outside of our company and on television. I considered that, in my professional experience, of over 35 years in law enforcement and private security, a very serious breach of security.

The CHAIRMAN. I understand that. What I am trying to determine by the question is, by "internal security," do you mean the day-to-day business discourse that the entity has to take on? If you have to talk in a privileged fashion to somebody, if you have to create documentation between you and your attorneys or others, you are talking about the security of that business system. Is that what you mean?

Mr. WELLINGTON. Let me state it another way, Mr. Chairman. At that time, we did not know what documents were leaking, who they were being leaked to, or what the intent of the person was who had the documents. It could very well be that they were going to be used or could be used or possibly be used as sabotage against the pipeline. I had no idea.

We do know we had an internal, working document of a facility in Valdez. We had technical operational manuals that described in great detail how to operate Alyeska facilities, that if they fell in the wrong hands, could be used to sabotage a pipeline. We just didn't know what we were dealing with.

The CHAIRMAN. Up until the time, I guess, of the *Scottish Eye* television show, to what use had the documents been made?

Mr. WELLINGTON. What documents?

The CHAIRMAN. The documents that were apparently out there, that launched this investigation. How were those documents being used? What was the history over the previous 2 years or 3 years?

Mr. WELLINGTON. Basically, I would say, Mr. Chairman, that the history of the documents that we became aware of or were referred to was done by the bragging of Mr. Hamel in the press. He did not wave the documents, but he talked about them.

The other ones, as I indicated, were the technical documents—let me finish—the technical documents in the impounded vehicle operated by a burglar addressed to Mr. Hamel, the technical diagram that appeared on an Anchorage television station concerning a facility in Valdez. That's how they were used.

The CHAIRMAN. You lost me. What was operated by a burglar?

Mr. WELLINGTON. The vehicle that was impounded.

The CHAIRMAN. Not the documents?

Mr. WELLINGTON. I don't know what the use of the documents was, other than that they were in an impounded vehicle, sir.

The CHAIRMAN. Were those the documents that were at EPA? This was a box of documents of something that was in EPA and EPA had used them and was returning them, I guess, to Mr. Hamel; is that what it was?

Mr. WELLINGTON. Our investigation revealed, Mr. Chairman, that the documents had been mailed from EPA in Seattle to Mr. Hamel in Alaska. We called EPA and said, is this so, did you mail these documents back to Mr. Hamel, and the individual said, yes, we did.

The CHAIRMAN. So we are talking about the same documents?

Mr. WELLINGTON. Yes, we are.

The CHAIRMAN. OK. Thank you.

Mr. Young.

Mr. YOUNG. Mr. Chairman, Mr. Richey, there have been a lot of comments today, accusations about telephone conversations, apparently taped, of Mr. Hamel back in Florida by Mr. Black. If that was—if that occurred, if it did occur, is that a violation of a Florida law?

Mr. RICHEY. Can you give me that again? What are the facts?

Mr. YOUNG. The accusation we heard today, that Mr. Black taped telephone conversations with Charles Hamel and which Hamel made back to Black in Florida, to Black himself.

Mr. RICHEY. Let me make sure I have the facts.

Mr. YOUNG. Hamel is calling Black.

Mr. RICHEY. Mr. Hamel is in Virginia.

Mr. YOUNG. Probably, I don't know.

Mr. RICHEY. Virginia or Washington, DC. Mr. Black is in Florida.

Mr. YOUNG. Right.

Mr. RICHEY. And a telephone conversation is tape-recorded by Mr. Black in Florida, all right? The answer is, no, that is not a violation of chapter 934, Florida statutes. And let me tell you why.

The Security of Communications Act in the State of Florida, chapter 934, section 2, subsection 2, is the definition of oral communications. And what is illegal in Florida is to unlawfully intercept

an oral communication as defined in the statute, one that is protected.

The oral communication definition states that there must be a reasonable, justifiable expectation of privacy before communication is protected. The Florida courts have addressed this type of issue in a couple of circumstances.

One was the *Chandler* v. *Florida* case which my law partner, Mr. Munroe, prosecuted for the State of Florida back in the 1970's. Mr. Chandler was a police officer and he and his partner were involved in having some communications with each other over radios, and the courts ruled that in fact they had no expectation of privacy when those were intercepted.

Subsequently, in 1985, there was a Florida Supreme Court opinion which dealt specifically with this section 2 definition, and went into great detail talking about that. And Incerienno, I-n-c-e-r-i-e-n-n-o, *State* v. *Incerienno,* 1985, discussed this section very carefully.

I read the circumstance that Mr. Hamel is in Virginia, that in Virginia he has no expectation that his calls will not be taped because, in fact, in Virginia it is allowed that you have one-party consent.

Because—I would also note, by the way, I don't think there is any tort liability to Mr. Black or Wackenhut for this, and the reason is that the Restatement 2nd of Conflicts of Laws which is the general document which determines—I mean, it is a body of law accumulated by some of our leading scholars to say what the law is. In the Restatement 2nd, they deal with the controlling law that deals with issues of invasion of privacy. And they say that the locus of the party whose privacy is invaded is the State where the law will be determinative of which State's law controls.

The net result of all of this outside of lawyer talk is that Virginia law controls and it is not a violation.

Mr. YOUNG. Let me admonish you a little bit. When I ask the next questions or questions that I ask you, let's not go into a long litany because it gets very complex, and I doubt if anybody understood the answer.

The answer is, no, it is not illegal in Florida.

Mr. RICHEY. It is legal to tape-record the call, correct.

The CHAIRMAN. It is not illegal in Florida, or is it your opinion that it is not illegal in Florida?

Mr. RICHEY. I believe it is not illegal in Florida, and it is my opinion, and I believe my opinion is 100 percent correct. I have done probably more of this than anybody down there.

Mr. YOUNG. We also heard today, and the reason I bring these questions up is because we are here to find out a lot of accusations, a lot of insinuations, a lot of discussion, a lot of rhetoric about whether laws were or were not broken. We're supposed to find out. A lot of discussion about toll records, telephone toll records, whether it is lawful or unlawful to collect toll records. And if they were collected, or purchased, or obtained, in that case, what is the law in Florida?

Mr. RICHEY. I think it is in the law in Florida and across the country, as far as I know, that it is legal, there is no violation of the law. If you want me to explain, I will explain.

Mr. YOUNG. Make it very short. I know lawyers are paid by the word, I realize that.

Mr. DEFAZIO. If the gentleman will yield for a moment, because it refers to my line of questioning. The question really revolved around legally or illegally obtained. That is, if the phone company has a policy to sell them, that is one thing, and if they are purchased in that manner, and that was part of the previous—so you might address whether or not in Florida the phone company regularly sells such records and through what process. That is just part of the——

Mr. RICHEY. Sure. Let me try and answer that question in the following manner.

For at least the 10 years I have been in private practice, private investigators all over Florida, and to my understanding from other attorneys practicing law, throughout the United States, private investigators throughout the United States, have had access to these toll records. The telephone company knows this. They have known this, as far as I know, for more than a decade.

During the course of time that they have known this, I am not aware of them taking any steps whatsoever to try and deal with this if they view it as a problem. And the reason, my suspicion, my belief, my gut feeling of why not, is because they have their own interests in the economic future of dealing with toll records, just as people are dealing these days with information that is accumulated from credit card purchases and other such kinds of things.

And I think that the telephone company may protest a little bit about what their interest is, but to my knowledge they have never done anything about it. I suspect they have contractors and subcontractors they deal with who get this material and distribute it with the knowledge of the phone company, and thus with the acquiescence of the phone company, and thus they have no proprietary interest in this information because they allow it to wander out in the community, and to my knowledge they have for over a decade.

And there are several Court of Appeals decisions, Federal Court of Appeals decisions, saying that 47 United States Code Section 605 does not relate to toll records and it is perfectly legal to have them.

Mr. DEFAZIO. That is not a clear answer.

Mr. YOUNG. Wait. You have your time. You can get back to that later.

I don't believe this is the first time toll records have been purchased or have been available to anybody. I happen to know this has happened before. In the campaign efforts, I am sure some of the Members in this room may have been involved in toll records, too.

Some comments were made about whistleblowers and Federal whistleblowers and how they are protected. Are you aware of any Federal whistleblower statute which authorized the misappropriation of confidential privileged documents as a method for disclosing possible unlawful activities?

Mr. RICHEY. Absolutely not. The whistleblower statutes have not abolished the Ten Commandments in this country. It is absolutely improper for people to be stealing records of this type. They are not covered by the whistleblower statutes.

If somebody wants to report something that a company is doing wrong, the Congress in its wisdom, many of the State legislatures in their wisdom have provided excellent means and methods to protect those people to see that their jobs are not in danger. All they have to do is follow the rules. And following the rules doesn't mean stealing attorney-client privileged communications.

Mr. YOUNG. There has been some indication Alyeska documents are being misappropriated by someone within the company's legal department. That was brought up today, about whether this document was stolen and did they have a right to recover it. Does the policy of the company have a secret policy, or do you think a claim by an in-house company attorney, that his or her disclosures were protected conduct under whistleblower statutes, would be credible defense in proceeding before a State bar association on an ethical violation?

Mr. RICHEY. I think the person might also have criminal exposure, in addition to a State bar problem. But I wouldn't want to be defending somebody in front of the bar with that as my defense.

If they had stolen attorney-client privileged communications and delivered them to third parties, I think that is a clear violation of law.

Mr. YOUNG. Even if they hadn't delivered them to third party, receiving stolen property from party one to party two, that is not really legal either, is it?

Mr. RICHEY. It is a crime to be in possession of stolen property knowing the property to be stolen. So if you receive property from someone and you know that property is stolen, you are in fact a fence. You are dealing in stolen property, and there are different kinds of ways to describe it in different statutes, but the person who receives the stolen property is just as guilty as the thief.

Mr. YOUNG. Now, you are a Miami lawyer, I take it.

Mr. RICHEY. Yes, sir.

Mr. YOUNG. Now have you reviewed Alaska State laws and their whistleblower protection, and—it goes back to—there was some assertion today that really these documents weren't being stolen from Alyeska, they were in the possession of individuals, they were made available to a second party who made them available to a third party, but they weren't really stolen. Have you studied State law, Alaska State law, on this?

Mr. RICHEY. I have not studied Alaska State law. I think factual matters are important. The factual process by which this happens is important as to whether or not there would be a misappropriation or a theft.

But I am not aware of any whistleblower statute or the concept of any whistleblower statute which encourages people to take documents and give them to third parties other than agencies. Every whistleblower statute I am aware of provides that people must go to an Agency of Government, not to a newspaper, not to a television station, not to an environmental activist or environmental group.

You deliver these to Government. Otherwise, there is no whistleblower protection.

Mr. YOUNG. I have no further questions at this time, Mr. Chairman.

The CHAIRMAN. Mr. Gejdenson.

Mr. GEJDENSON. Thank you, Mr. Chairman. You are a great lawyer. Everything your client did was legal and when they steal phone records there is some miraculous path that the phone records can get to your clients without breaking the law.

Mr. RICHEY. I respectfully disagree, sir; I think that this has been going on for 10 years.

Mr. GEJDENSON. I'm sure you disagree. There was this miraculous path for phone records that might be sold. All kinds of ways they can get there. That is perfectly legal. Do you think it was legal to steal mail out of this gentleman's home?

Mr. RICHEY. I think there is a dispute over how that mail was taken and its condition.

Mr. GEJDENSON. If somebody took mail out of the gentleman's home in question; is that illegal?

Mr. RICHEY. As I understand the facts, the facts that are before this committee, the material that was taken——

Mr. GEJDENSON. I am not asking you about this case. You are a great lawyer. You can answer theoretical questions.

There is a man with a house. It is his house. He invites somebody into his house. That person takes a piece of mail out of his house. Is that illegal?

Mr. RICHEY. It depends on whose property the mail is. For instance, if the contents of the envelope are the property of——

Mr. GEJDENSON. What if the mail is not open and it is just sitting there on my desk, can you take it?

Mr. RICHEY. Let me tell you, you do so at your own risk. But whether or not that is a crime depends upon the contents of that envelope.

Mr. GEJDENSON. Let me go on here. Mr. Miller will tell me I am out of time in a second.

You were in the State police? What was your job in Alaska?

Mr. WELLINGTON. I was director of State Troopers.

Mr. GEJDENSON. Somebody steals something, you call the police first generally?

Mr. WELLINGTON. I think it depends on what the situation is.

Mr. GEJDENSON. On the other hand——

Mr. WELLINGTON. Wait a minute. You are asking me to give a hypothetical question.

Mr. GEJDENSON. I am asking you what the general rule is when somebody steals something from you. My bike is gone, I call up the police department. They say, I am sorry we can't do anything about bikes, we have too much crime in this city. What do you do when somebody steals something? Do you hire a detective agency?

Mr. WELLINGTON. That is a prudent method.

Mr. GEJDENSON. Why don't you go to the police? These are documents your counsel here claims are stolen property of the company. Why don't you call the FBI or police or somebody? Is that option reviewed and you dismiss it?

Mr. WELLINGTON. Basically you have several options before you. The option that we took was to attempt to determine whether or not and how the thefts of our confidential, private—attorney-client and private documents were leaving.

As I said in my statement had we been able to determine who was doing it, how they were leaving, we were prepared to go to the appropriate law enforcement agency with that information, but we felt it was prudent and in my professional experience as a corporate security manager to attempt to look at the problem internally before we went to law enforcement. A totally acceptable practice.

Mr. GEJDENSON. That is fine. I am not condemning it. I'm just asking if it is such a clear case of theft, you now know for several months who the players are, why you didn't go to the police at any point?

Mr. WELLINGTON. I made a professional decision to work the case up—we were headed that way, sir.

Mr. GEJDENSON. Mr. Richey, why didn't you go to the police once you found out who the culprits were?

Mr. RICHEY. Let's start with why people use self-help to begin with. There are some very important reasons which are enacted into policy by this Congress and by the legislatures of the various States.

There are many private attorney general statutes out there. There are private civil theft statutes in which you go out and you seek treble damages. You are encouraged because your investigative and attorney fees are paid; the same with RICO statutes; the same with trademarks. Almost all the theft of trademarks in this country is enforced privately. The reason is because the FBI and police don't have time to deal with it very much.

Mr. GEJDENSON. Thank you. Mr. Wellington, what were you afraid of happening—I think the chairman asked some of these questions before—with these documents. Was the company sitting there saying we are afraid these are terrorists, they are going to come in and interrupt our supply?

Did the company say this could give us bad publicity because we are polluting the water or doing things wrong or they may be able to make it look like we are doing things wrong? What were you afraid of? What were you trying to deal with, besides the security situation? We generally like to control things that go in and out of our offices.

Mr. WELLINGTON. I think that's the basic—you hit it right there, sir. We have a right as a company, as you have a right as an individual, to assume your legal documents are going to be maintained in your possession and not be distributed to the news media or anything else. Our concern additionally was—mine was as security manager for the company—I didn't know what else might be finding its way outside our corporate headquarters and where it might be going.

As the chairman indicated we are transporting 25 percent of the domestic oil supply of the United States.

Mr. GEJDENSON. Mr. Hermiller, if you were working for a company and you felt that the company was involved in something illegal, was against the laws of our land, if you weren't confident that the Federal agencies involved were going to follow up adequately, maybe they were involved in it like in the case of Iran Contra, or something, that not only was your company breaking the law, but the Government might be breaking the law or the Government might not be interested in following up, what would you do?

Mr. HERMILLER. First of all, Congressman, I would like to answer your last question that you didn't ask me but asked the other two. I wish to hell we had gone to the police.

Mr. GEJDENSON. OK. Thank you.

Mr. HERMILLER. But beyond that, obviously, the whistleblower statutes have been defined here.

Mr. GEJDENSON. The court case is apparently not clear. There are some courts that have found you can go to the press with this stuff. There is a mixed review out there now. It's not clear.

Mr. HERMILLER. I can speak for the Alyeska Company. I think there are plenty of avenues inside the company to seek redress and indeed if that redress is not to your satisfaction or to my satisfaction if I were the affected individual, as was mentioned here, indeed if it were a health, safety, environmental concern and he went to the appropriate external agency, be it OSHA, EPA——

Mr. GEJDENSON. Or the Congress.

Mr. HERMILLER. As far as I am concerned, that is an acceptable activity.

Mr. GEJDENSON. So it seems to me this gentleman did end up going to the appropriate response, the Congress is a part of our Government and these documents, at least some of them, ended up coming to Members of the Congress, at that point you stopped the investigation; is that correct? I am a little confused on the time.

Mr. HERMILLER. Are you speaking to me, Congressman?

Mr. GEJDENSON. Yes. Once you figured they were going to the Congress, is that when you stopped the investigation?.

Mr. HERMILLER. Absolutely not. I can't believe, Congressman, this committee or Chairman Miller would accept attorney-client privileged documents. I just can't believe that you would accept those.

These documents were related to sensitive ongoing litigation we were involved in.

The CHAIRMAN. Do you have any evidence we have accepted them?

Mr. HERMILLER. I have none. I said I can't believe you would accept them.

Mr. GEJDENSON. All these documents weren't attorney privilege.

Mr. HERMILLER. Congressman, there are two kinds of documents. The documents that had been leaked over an extended period of time, refer to them as operating documents, relating to the operation of the pipeline, the terminal. Those kind of documents we had been aware were getting out of Alyeska.

I will be quite frank with you. I was very new at Alyeska. I had been around 6 months when this particular issue came up. The thing that triggered my concern, as I said before, was the fact these were sensitive documents protected by the privilege.

Mr. GEJDENSON. What was it—once you knew who did it and where it was going, what was it that had you stop the investigation? It was your board members that came in and said, that's it, shut it down, we don't want to do this anymore.

Mr. HERMILLER. First of all, just to review this thing a bit for you, we progressed this investigation through the summer. I will tell you I was extremely sensitive when the name of the chairman came up in this thing, that if in any way Mr. Black involved any

Member of this committee or any member of this staff, this thing was to be shut down. I didn't care.

That is exactly what I passed on to Mr. Wellington. No way were we interested where Mr. Hamel was taking those documents—I shouldn't say that. We were interested, but in no way if those documents or in any way were being passed on to this committee or impinging on this committee, I wouldn't touch that with a 10-foot pole.

Then we went on—I will answer your question—then we went on out at the end of August. I was absolutely convinced we were not going to identify the source in Alyeska. I was absolutely convinced of that. I was convinced there was another source out there that was passing the attorney-client privileged documents on to Mr. Hamel.

At that point I conferred with Mr. Wellington. We agreed, this thing is not going anywhere. We are going to go to the owners and discuss it with the owners and that is what we did on September 25.

Mr. GEJDENSON. Thank you.

The CHAIRMAN. Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. Hermiller, I have gotten hernia of the eyes going through this wood pulp. Every time I think I read all of it, I get another stack of papers put before me. Let me summarize a bit.

As I understand your company was missing documents. Some of those documents involved the attorney-client relationship.

Mr. HERMILLER. That's right. I distinguished between two types of documents: one of them is attorney-client privileged.

Mr. TAYLOR. You have documents I am sure in your company that deal with trade documents, procedures, various documents that are assets of your company, part of the value of your company.

Mr. HERMILLER. That's correct.

Mr. TAYLOR. Were any of those missing or did you know at the time?

Mr. HERMILLER. We knew many of those documents—for example, many of the manuals Mr. Wellington referred to had been missing from Alyeska. We were aware of those things, yes.

Mr. TAYLOR. The—those plans and documents could have also been used in sabotage that was referred to earlier. I think Mr. Wackenhut mentioned engineering plans and other things.

Mr. HERMILLER. I am not familiar with the precise documents.

Mr. TAYLOR. But a considerable source of documents of a variety of types were missing and obviously with that kind of leak you knew that almost anything could sift out of the company in that way.

So you were concerned with stolen corporate assets.

Mr. HERMILLER. That's correct.

Mr. TAYLOR. Mr. Wellington, you as the security head had to be concerned about—in my part of the country we have a group of folks there that believe trees have feelings, so they go around driving spikes in the Forest Service trees, and of course, we have had people injured and I am sure someone is going to be soon killed, because when you try to cut a tree, you don't see the spike and it

will fly back, and you've got real problems. Those folks are dedicated toward trees having feelings and they will not stop at murder to see that trees aren't cut.

When it happens on the national forest there is a whole body of law enforcement inside the Forest Service that can investigate that. When it happens on private land, we have two choices. We go down to the sheriff at Hanging Dog and say would you investigate this—Hanging Dog, the far end of the district, and the sheriff has a county that's 200 miles across, he has three deputies, and you know, that sort of thing, and you give that to him and that sort of stays on his desk because he doesn't have any idea where it goes, so you go after a private source.

If I wanted to cause an enormous oil spill, either on land or in the water in your part of the area, how helpful would it be for me to have plans to your pipeline, the pumping station, your procedures, the engineering drawings, those sort of things; would that help me at all?

Mr. WELLINGTON. Absolutely sir. We are very careful. We have security around all of our operational facilities, armed security, all the time, 24 hours a day around all optional facilities. We are very, very concerned.

Mr. TAYLOR. Spend a lot of money trying to protect that?

Mr. WELLINGTON. During Desert Storm we increased security and spent an extra $3 million in 2½ months.

Mr. TAYLOR. If I broke through that security because you were careless, because you didn't follow up on missing plans and missing documents, how high would the public in Alaska hang you, as well as your own company because of your dereliction?

Mr. WELLINGTON. Probably wouldn't be here today.

Mr. TAYLOR. You have a very substantial reason for that. When you found these documents were being stolen, you commenced to a plan as you outlined in your statement to get the documents back, to find out who is stealing them if possible and stop the theft. I understand that you were advised that your investigation was legal by counsel.

Mr. WELLINGTON. Every step of the way.

Mr. TAYLOR. All right. So we are at that point in the investigation.

Now, Mr. Richey, you got involved with this somewhat when the ordinary course of this investigation followed through and they found that one of the conspirators in the theft or who appeared to be—or in fact himself said he was involved in the documents being taken that some of these stolen assets of the corporation were given to a congressional committee. That was alleged by one of the co-conspirators in the theft. That turned up in the investigation and the folks came to see you at that time, did they not?

Mr. RICHEY. Yes, sir, they did.

Mr. TAYLOR. Of course they didn't know what to do about that. It is not customary for a body of Congress to be the recipient of stolen property or participate in that. We are a powerful body. We have subpoena power. We have the power to direct regulatory agencies. We have the power to direct investigative agencies.

It is beyond most of our comprehension that this body needs to resort to either accepting or encouraging the stealing of property

for us to carry out our duty. But when you found that might be a possibility—and how did you come upon that or how did your clients say they came upon that thought?

Mr. RICHEY. Mr. Hamel told them that's what he did. Mr. Hamel made a number of statements. As you noted, he confessed to the fact he knowingly possessed stolen documents. He confessed on the tape to the fact if they would pay him $18 million he would stop stealing their documents.

The CHAIRMAN. Do you have a cite on that tape?

Mr. RICHEY. I saw that tape myself and I haven't seen it since that day in Wackenhut's office.

Mr. TAYLOR. Mr. Chairman.

The CHAIRMAN. Go ahead.

Mr. TAYLOR. You read the tapes and transcripts—seen the tapes and read the transcripts and so forth?

Mr. RICHEY. No, sir, I have not looked at the tapes or transcripts since—I never looked at any transcripts because they were not ready for me to look at. I looked at tape recordings in my office and Wackenhut's office.

Mr. TAYLOR. One of the transcripts implies the committee was willing and even anxious to get stolen goods. I think that is in cassette F2R412110, and I ask the committee if they want to pass it about, this is available to us. And I won't read his whole testimony, but that he in general alleges that he is presenting this committee with material which clearly is stolen material, referred to as, those are dynamite documents, how in the hell did you—then he said well, I got them but we shouldn't tell how they got out of here.

Clearly, he knows they are stolen documents. He talks about who he had to go to in the committee to get them or pass them by and that sort of thing. He also alleges he has shown these to the attorney general of Alaska, but he said you know, sort of nobody wants to know that anybody knows they have looked at them, but they looked at them. That is in that section of the transcript.

So here Mr. Hamel is alleging the committee not only is accepting the stolen documents but is anxious to get those documents. Wants to see more. Wants to see some he hasn't even shown them yet. Do you remember that? Do you recall that?

Mr. RICHEY. Yes, sir, and that upset me very, very much. It upset Mr. Wellington very much and we were very unhappy with the existence of that conversation because our position was we wanted no mention of Congress or this committee or anything to do with it.

That and a series of allegations that Mr. Hamel made about his relationship with Mr. Petrich upset us very, very much. We could not imagine how that would be anything but destructive to our client if that kind of information came out.

Mr. TAYLOR. I can see why you would be concerned and not know what to do. If you found a congressional committee accepting stolen documents and even perhaps encouraging stolen documents, you might wind up in a hearing where you would have to appear before the public.

Mr. RICHEY. Congressman, I think I predicted that in May 1990.

Mr. TAYLOR. Let me ask you one other area. In one other section in cassette F2R4122113 Mr. Hamel tells Mr. Black to remove the attorney-client privilege headers—that is, that heads the files—

from the Alyeska stolen documents. These documents have been stolen, they are now in possession of Mr. Hamel and he is directing Mr. Black before he passes them on, or before Mr. Hamel passed them on to the committee that he should remove those attorney-client privilege headers from that.

Obviously, he wasn't removing them because he didn't like the names on them.

Mr. RICHEY. That is pretty good evidence of what is known as criminal intent.

Mr. TAYLOR. I have heard that.

It talks about taking them off each page and recopying them and cutting each section out so that he passes them on.

Now you are an attorney of course and if you—I don't care what your motive was, whether you were a committee counsel or you represented the church or what other—who your client was, if I come over and say, Mr. Richey, I have these documents I would like for you to review, they would be very helpful for your cause.

By the way, we have to take the attorney-client statements off the top, what would you as an attorney be guilty of for accepting that type of attorney-client privilege documents?

Mr. RICHEY. The Code of Professional Responsibility, American Bar Association and every State of which I am familiar, the code of ethics for lawyers specifically provides that lawyers have an obligation as attorneys to take all reasonable steps they can to prevent themselves from intruding into the privileges of others, including others not their clients. That is the attorney-client privilege.

We are talking about something very special here; we are talking about the attorney-client privilege. It has long been stated by our courts and the courts of Great Britain that our legal system cannot function as it is supposed to in an adversary system without the protection and maintenance of the attorney-client privilege. It's something very sacred; is being stolen here and misused.

Mr. TAYLOR. So in addition to it being immoral and in addition to it being illegal from a statutory sense, it is also a violation that might get you defrocked as an attorney if you were a member of this staff and a licensed attorney and you were participating in accepting those types of documents knowing they violated the attorney-client privilege.

Mr. Richey. Yes.

The CHAIRMAN. Will the gentleman yield?

Mr. TAYLOR. One moment Mr. Chairman. I have one other area I would like to go into. It came to me in reading late the other night—and most of the reading of those tapes puts you to sleep in a hurry, but there were a few things in there. F2R412079, a discussion between Mr. Hamel, Mr. Black regarding Mr. Hamel's settlement with Exxon.

Mr. Hamel believed that Exxon knowing that he is involved with the Ecolit will expedite his settlement payment. That is sort of a—if he can get them in a tight enough spot some way by divulging whether it be a trade situation, something that might put them in a bad way attorney-clientwise, whatever, he could use that to, should I say, blackmail his settlement.

And that is essentially what this F2R412079 does in this. He points out that—let's see if I can find it—he says not this one, this

is the one, not this kind of stuff I have done it—and there is a barnyard word there and another barnyard word, now take me back to what you were saying. We covered no—when I think they know it's me that's done this, they are going to pay me quicker. That's Mr. Hamel from the transcript which refers to the fact that, when this stuff starts showing up, it is going to have an effect on his personal litigation problems that he has, whatever they are.

Mr. RICHEY. Yes, sir, what it is as I understand it from my view of the tapes and from my view of the Heller Ehrman letter to Alfred Smith from May 1, 1990, on a conversation with Julian Mason regarding Mr. Hamel. This is part of the record, Mr. Pat Wellington had described this information to me at our first meeting, the first time I met Pat Wellington, and it is abundantly clear to me what was going on here was extortion by Mr. Hamel, that what he had in mind was he wanted the oil companies to pay him a lot of money. He was utilizing alleged interest in the environment to further that. He is a little bit like a bank robber who on the way to rob a bank, stops and helps an old lady across the street and then wants credit for doing a good deed while going over to rob the bank.

He is utilizing the environmental movement, he is selling the name of a Congressman and the Congressman's staff all over town. And he is doing that in furtherance of his own economic interest and doing it in a way that is clear extortion, clear use of stolen documents.

Mr. TAYLOR. That may—from what we see that is true. The thing that troubles me, Mr. Chairman, and let me in closing say that we have been beating up on a giant oil company—that is probably one of the favorite things you might like to do, some folks. As I said in the beginning it is sort of a congressional dream.

The thing that troubles me about this matter is the committee or its staff or perhaps one or both of us in this matter hands are not clean in this function. We have been asking lots of questions about what the detective firm did in this and others did in this and there are criminal statutes and civil opportunities for the public to be protected in that. And we can take those matters to the proper law enforcement agents and the people involved—the individuals involved can do that. They can be protected, but who protects the public if we, as a congressional committee, are participating in these types of illegalities? Immoral, illegal, unethical.

When we do that, who protects the public unless we focus on what this committee or its staff or others may have done in violating the law or at least at a minimum in creating unethical and immaterial moral acts?

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. DeFazio.

Mr. DEFAZIO. Well, I understand that we attempt diversionary tactics all the time, but let us get back to the panel at hand.

Mr. Richey, the words you used regarding the phone records, given the first panel, we still haven't gotten to the bottom of this. You talked about the phone company having access. The company had access. Your client had access. Had access is kind of—I don't know what that means. You didn't say they legally obtained or purchased, they had access. I want to restate—you said the phone

company knows this. That it was with the knowledge and acquiescence of the phone company.

Does the phone company in Florida sell the records in question, the toll records in question? Do they have a process through which they are obtained other than under warrant, do they have a policy of selling them, renting them, leasing them or gifting them to private investigators?

Mr. RICHEY. I am not aware of any. And I have never asked, because I have never been——

Mr. DEFAZIO. Because you don't want to know perhaps.

Mr. RICHEY. No, sir, that's incorrect.

Mr. DeFazio. You don't want to know if it is legal or illegal. You are an attorney and you gave us their song and dance about the documents from Alyeska and the receiver of stolen property is just as guilty as the thief.

You don't want to know if your client received these things legally, or if there is any legal means through which they can be obtained. Are you as guilty as the thief then too because you are acquiescing here? You have a great grin and you are a clever guy. Answer the question.

Mr. RICHEY. May I answer your question?

Mr. DEFAZIO. Do you have knowledge of a lawful process, a process where they can be purchased, leased, rented or gifted or otherwise legally obtained by your company?

Mr. RICHEY. Those are not the exclusive means of getting things lawfully. If people in fact make things available to their contractors and subcontractors and allow those people to pass them out and sell them, then they are waiving their proprietary interest in those matters and nobody——

Mr. DEFAZIO. Are you aware the phone company is doing that knowledgeably?

Mr. RICHEY. I believe the phone company has known for years with——

Mr. DEFAZIO. You believe. You would think you would check a little more into the legality of this if you are going to accuse people receiving stolen property as guilty as the thief. You wouldn't want to misrepresent those people or mislead them.

Mr. RICHEY. Well, I certainly feel very comfortable with the legality of what my client did in getting these materials because there are several U.S. District Court of Appeals decisions right on point which say that possession of these things is not improper.

Mr. DEFAZIO. Not improper.

Mr. RICHEY. It's OK.

Mr. DEFAZIO. Depending on how they are obtained.

Mr. RICHEY. No, sir. It's OK to have them no matter how they are obtained.

Mr. DEFAZIO. So if I am an employee of the phone company and I copy these things against company policy, and I provide them to your client, that is legal and fine for your client.

Mr. RICHEY. It is a serious problem for that person at the phone company; it is no problem for the client. Congressman, may I answer the question?

The CHAIRMAN. Let him answer.

Mr. RICHEY. May I answer your question? I have been called here to answer questions. Let me answer. I am not aware, I have never heard of it being a situation where an employee was wrongfully at the telephone company photocopying them, and like I said, to my knowledge every private investigator in the United States for a decade has had these.

My understanding is the phone company is aware of it. My belief in my gut is they don't want to do anything about it because they have their own economic interest in manipulating these for commercial reasons in the future. If they wanted to do something about it, all they would have to do is come to this Congress and/or any legislature and ask this be made illegal and that it be protected. They don't want to and they don't care.

The CHAIRMAN. Will the gentleman yield?

Mr. DEFAZIO. Yes.

The CHAIRMAN. You obviously engage in this practice much more than we do. The formal position of the phone companies is they do not make this available and they disagree with it being made available.

Mr. RICHEY. Yes, sir.

The CHAIRMAN. Your suggestion is somebody is at a Xerox machine and they photocopy and make it available to somebody and that is fine?

Mr. RICHEY. That is not my position at all. And I've never thought that that was what probably happened. The telephone company has all kinds of subcontractors doing all kinds of things. And I understand they make these records available to other companies. That may be incorrect.

The CHAIRMAN. In the ordinary course of their business.

Mr. RICHEY. In the ordinary course of business.

The CHAIRMAN. With the expectation, you are suggesting, they will then be sold by those people or disseminated in some fashion—given, sold or rented?

Mr. RICHEY. With the knowledge it has been happening for years and it is ongoing. And that they have never done anything about it and there are plenty of doctrines of law to the following: Proprietary information is not proprietary because you put a stamp on it. It is only proprietary if you act in a way that it is secret and confidential and you care about it. Otherwise it is not proprietary information.

The CHAIRMAN. Like an attorney-client privileged stamp on a document does not necessarily make it attorney-client privileged.

Mr. RICHEY. That's correct, if in fact the parties do not treat it as attorney-client privileged, it is not. It is the same general theory and follow-through.

The CHAIRMAN. Uh-huh.

Mr. RICHEY. If you have a question, Congressman, I would be happy to answer it. I see you smiling.

The CHAIRMAN. No, I find it interesting that what you are submitting is a brief to this committee on why you think it is not in violation of the law. It is your opinion their actions allow it to happen, and you believe these actions would be in compliance with the court of appeals and so forth.

That is not necessarily the fact. As well informed as it is, it has not been the fact. Reading the transcript of Mr. Hamel, nowhere is it said these are stolen or otherwise. He says they are "hot potatoes."

Mr. RICHEY. I respectfully suggest that the court of appeals opinions are very clear that there is no violation here by the company, by my clients.

Mr. DEFAZIO. If I can reclaim my time. *How to Get Anything on Anybody*—a great little book I saw yesterday for the first time. [See page 402.]

Mr. RICHEY. I am not familiar with the book.

Mr. DEFAZIO. Here is the assertion of this individual who purports to be the most dangerous book ever published.

Mr. RICHEY. Congressman, if I may object here, I object to being cross-examined on a document I have never heard of in my entire life, never seen.

Mr. DEFAZIO. I am going to read you an assertion and ask your esteemed legal opinion since you've given me another one for free. "All of these methods rely upon the investigator passing himself off as a person who has a right to said information." This is under obtaining telephone company names, listings, and unlisted numbers.

Mr. JORDAN. Could you give us a page reference of that?

Mr. DEFAZIO. Certainly, page 177.

The CHAIRMAN. Probably soon to be a best seller. The guy was struggling before this hearing.

Mr. RICHEY. Give me a moment.

The CHAIRMAN. One moment. Do you have that page?

Mr. RICHEY. Yes. Can you give me a moment to look at this and see what it is?

The CHAIRMAN. Sure. Do you have the page in question?

Mr. RICHEY. Yes, sir. I've looked at it. Thank you.

The CHAIRMAN. We will make you a gift of the book.

Mr. RICHEY. I don't really need it.

Mr. DEFAZIO. I was just worried about copyright violations.

Mr. RICHEY. Yes, sir.

Mr. DEFAZIO. I guess what I am trying to say, perhaps this fellow's book is hyperbole and so on and so forth. I will need to check with the Regional Bell Operating Companies [RBOCs] and AT&T and others and test your allegations. Luckily, I am seeing officials from the RBOCs tomorrow night. I don't think we will get to that. We have a letter from AT&T right here.

Mr. RICHEY. I doubt, Congressman, they are going to admit to my theory; they are not objecting to this because they have their own interest in disseminating this in the future.

The CHAIRMAN. You don't know that for a fact.

Mr. RICHEY. No, sir, I told you that was my gut feeling.

Mr. DEFAZIO. There is a document of record here. Since we have gone so far down this path, let's provide this to the witness dated October 25, 1991, it has no number. [See page 603.]

Mr. DEFAZIO. I think the pertinent paragraph is the third on the first page. Bottom of the page last, it is two lines.

Mr. RICHEY. I am sorry, sir.

Mr. DEFAZIO. I think the sentence which says, "In addition to the records of billing data maintained by AT&T, such records often are also maintained by local exchange carriers which in many parts of the country serve as AT&T's billing agent for a number of long distance services. AT&T and the local exchange carriers agree that the local exchange carriers will treat individual customer billing records related to long distance charges as confidential and will not disclose such records at the request of third parties unless appropriate legal process is received."

That is a statement of the main operating company whose records were obtained, AT&T. I guess there seems to be a problem. If that is the policy of the company, you are saying despite their public assertion of this policy that they are lying, that in fact they acquiesce in the obtaining of these records through other means.

Mr. RICHEY. No, sir I am not saying that at all. This letter does not address whatsoever my point. Having a policy you say and put a label on something that it is proprietary information does not make it proprietary information. You have to treat it as proprietary; you have to enforce your proprietary rights. You have to care enough about it to go through a series of steps to maintain the proprietary nature of the information.

They stated this to you, but it doesn't say what their enforcements procedures are. It doesn't say the means and mechanisms they take to deal with this; it doesn't say they have taken steps to make legislature change the law to make what is now legal criminal. This letter doesn't say anything, not to a lawyer anyway. A lawyer probably wrote it, by the way.

Mr. DEFAZIO. So, your message to the people of America is, because perhaps we will get AT&T's attention and they will respond to you with some vigor is that all records of all long distance phone calls made on the AT&T system in America are routinely available through the acquiescence of AT&T; that is your assertion.

Mr. RICHEY. And, in addition, a lot of information is commercially available to people. Magazines sell their subscription lists, all kinds of things like that happen in the commercial arena. Credit card companies are now pooling who buys how many green ties at what stores so that they can do a credit profile on people and not just that; so they can determine who they want to send mail-out catalogs out to.

Mr. DEFAZIO. That is correct, but American Express has not made the assertion they won't tell people about the green ties I purchase.

Mr. RICHEY. I see they state their policy but I don't see them making any assertions they are interested in doing anything about it.

Mr. DEFAZIO. I think we will direct some response from AT&T to your assertions. If we could, just a couple other points, Mr. Chairman. The previous questioning went quite long so I hope that you extend the same privilege.

I came in a little late, so I want to make sure the panel was sworn. They were sworn, okay, because Mr. Hermiller said something which stretched my credibility; he said he held Congress in the highest respect. Puts him in a minority these days according to the public polls.

Mr. HERMILLER. And this committee in high regard.

Mr. DEFAZIO. Thank you, Mr. Hermiller.

The CHAIRMAN. The phrase used to be minimal high regard.

Mr. DEFAZIO. Now the—just the document which grabs your attention which began this whole sorry affair, which now you say you wish had never happened and you wish you had referred to the appropriate legal authorities at the beginning—that would have saved everyone a lot of time here—was a document shown on the *Scottish Eye* program and the document itself was, according to the press reports I see, not a particularly startling document, yet it triggered this whole series of events.

You were aware that operating documents were sort of regularly misappropriated, stolen, whatever, and until this time you didn't take any action and somehow this triggered your action. I guess that brings about two questions: One would be relating back to Mr. Richey, if you previously knew operating documents were being obtained and you weren't doing anything very vigorous about it, I guess you would be in the same position AT&T, you kind of acquiesce and it is OK to steal them because you have a policy, but what the heck.

That would be the first part if you can respond to that, and why this particular document triggered it. Was it because of the sensitivity of this? Because it was the straw that broke the camel's back or was it because it gave you some particularly attractive targets and was Mr. Hamel the only target of this investigation, because apparently an environmental group had obtained this document and had made it available.

Mr. HERMILLER. The first part, Congressman, as I said, I had been at Alyeska about 6 months when we initiated or actually the client privileged documents disappeared. There had been a history of the loss of what I described as operating agreements or operating papers—operating documents. There had been investigations prior, at least internally to the loss of those documents, as Mr. Wellington I think described earlier.

The document that did trigger my interest, as I said, was a sensitive document. My lawyers advised me that it was a very sensitive document, related to the ongoing *Exxon Valdez* litigation. I think beyond that, seeing that this one document had disappeared from Alyeska, there was great concern that a whole series of documents had disappeared from Alyeska.

And, indeed, within a short time upon the commencement of this investigation, Mr. Hamel did brag that he did have the rest of the documents that had been prepared by the outside law firm involved in this litigation.

Mr. DEFAZIO. OK. Mr. Richey, if we could get back to your document which says privileged attorney-client information, privileged work product information, confidential, personal, dated May 22, 1990.

Mr. RICHEY. Just one moment, please.

Mr. DEFAZIO. It is attached to the—in my case—to the memorandum to Mr. Wellington from Mr. Black and it is on the back of that. [See page 453.]

The CHAIRMAN. The gentleman has 1 minute.

Mr. DEFAZIO. OK.

Mr. WELLINGTON. It is what sir?

Mr. DEFAZIO. I have only 1 minute left. Mr. Chairman, I will yield back the minute and do a second round of questioning.

The CHAIRMAN. Mr. Marlenee.

Mr. MARLENEE. Thank you, Mr. Chairman. Mr. Wellington.

Mr. WELLINGTON. Yes, sir.

Mr. MARLENEE. You have a big job up there. I would like to reduce this to the lowest possible level so that one of my colleagues, who I will leave unnamed, may understand one of the questions he was pursuing with you.

You have a blue bicycle with a white seat and customized handlebars and it is taken from your front step and on the way to the police station you see that bicycle in somebody's front yard and you jump out of your pickup truck and you run over in the front yard and you grab that bicycle and you put it back in the pickup truck and you go down the street. Have you broken the law?

Mr. WELLINGTON. No, sir.

Mr. MARLENEE. I hope my colleague understands that.

Mr. ABERCROMBIE. Will the gentleman yield?

Mr. MARLENEE. No, I will not yield. There are not many blue bicycles with customized handle bars.

Mr. ABERCROMBIE. You must live in a different neighborhood.

Mr. MARLENEE. Maybe make it a surfboard. Mr. Richey.

The CHAIRMAN. Let the gentleman from Montana use his time.

Mr. MARLENEE. Thank you, Mr. Chairman. I have not yielded any time yet.

Mr. Richey, if a law were violated on recording phone calls—personal phone calls—who would be in Virginia charged with prosecuting the offending party, if in fact, the law were violated?

Mr. RICHEY. Well, it would depend upon which law, whether it was title III of the Federal statutes or the local Virginia statutes. It could be the local U.S. attorney or the local prosecutor in the jurisdiction for the State there, either one.

Mr. MARLENEE. Who would be in charge of prosecuting?

Mr. RICHEY. Who would be in charge of prosecuting? Either the State attorney or the U.S. attorney in that district.

Mr. MARLENEE. And who would file the charges?

Mr. RICHEY. The person who is the victim would probably call that to the attention of the prosecuting authority and say my rights have been violated and I need to have some assistance here and make a determination.

Mr. MARLENEE. Then the person who has been violated does have the opportunity to be protected by filing charges.

Mr. RICHEY. Yes, sir, and in addition, in most jurisdictions—I don't know about Virginia—they also have rights to bring a civil action if their rights have been violated.

Mr. MARLENEE. Let me ask you this: To your knowledge is there an ongoing investigation, and as a matter of fact, have any charges even been filed of record?

Mr. RICHEY. I have not heard any charges have been filed. And I would have thought my clients would know because it is the practice in most jurisdictions—I know it is in Florida and with most U.S. attorneys' offices—when this kind of matter arises to write a letter to the parties involved saying what is your position, do you

have any explanation, what is going on, in order to avoid an unnecessary proceeding.

Mr. MARLENEE. So, this committee is substituting itself in the judgment of whether a law has been broken when there is recourse through the courts and through official jurisdiction set up by the States.

The CHAIRMAN. Would the gentleman yield?

Mr. MARLENEE. Just a moment. I am going to pursue this other line and it will pertain to the same thing, Mr. Chairman, and then I will most respectfully yield.

Mr. Richey, some have attempted to allege a breaking of the law when Black required documents from Hamel. Doesn't public record indicate Hamel was aware certain documents were removed from his home between May 20 and November 1990, that he was aware these were gone?

Mr. RICHEY. He is aware today? Yes, there have been newspapers articles and that kind of thing, and Hamel is aware that he was duped, or whatever.

Mr. MARLENEE. Mr. Richey, if an illegal act was in fact engaged in or commissioned who would be charged with prosecuting the offending party?

Mr. RICHEY. Well, Mr. Hamel ought to take his complaint to some appropriate prosecuting authority or—and/or file a lawsuit and either the prosecuting authority will deal with it or there will be a tort action, I assume. I don't represent Mr. Hamel.

Mr. MARLENEE. What you are telling me, bottom line, Mr. Counsel?

Mr. RICHEY. Excuse me.

Mr. MARLENEE. What you are telling me, bottom line, Mr. Counsel, Mr. Richey, counsel, are that Mr. Hamel's responsibility in this case would be to file the charges if in fact laws have been broken if he feels the law has been broken.

Mr. RICHEY. If he desires to do that. I understand he has years of allegations of all kinds and has never brought any charges. I would note also if he wants to file a lawsuit, he can file a lawsuit. If he wants to go to a prosecutor, he can go to a prosecutor. I feel comfortable in defending my client in either circumstance.

Mr. MARLENEE. Let me go one step further. Are there any charges to your knowledge that have been filed or are on record right now concerning the theft of illegal documents?

Mr. RICHEY. We have not been notified of any. I assume there are not.

Mr. MARLENEE. Of course there are not.

The CHAIRMAN. Will the gentleman yield?

Mr. MARLENEE. Yes.

The CHAIRMAN. To save him from reducing this to the lowest point, I think in fact an active investigation is underway. In fact, I believe the investigators were at this hearing this morning. You can ask those questions of Mr. Hamel.

Mr. RICHEY. Mr. Chairman, if there are investigators around, I would hope they would enjoy the liberty of talking to me about it. I would be happy to assist them in every way I can to help them.

Mr. MARLENEE. Mr. Chairman, at this juncture let me introduce into the record a November 4 letter from the commonwealth attor-

ney for Arlington County, Arlington, Virginia to the Honorable Don Young, Ranking Minority Member. [See page 605.] November 4, 1991, Mr. Young, Reference your letter of November 4, 1991, Mr. Charles Hamel has not been authorized to offer anyone immunity in this jurisdiction nor to speak for this office in any way whatsoever.

"This office has no present plans to prosecute anyone in connection with the Alyeska/Wackenhut/Hamel affair and Mr. Hamel has been so informed."

A speculative question Mr. Richey.

Mr. RICHEY. Yes, sir.

Mr. MARLENEE. If you had a client and that client came to you and alleged that he had been engaged in an activity, a very illegal activity, but that someone else had in fact come into engaging in an activity that was in his eyes illegal against him, would you think that that client would be well advised to go to law enforcement authorities and request a full investigation of the alleged wrongs that he had?

Mr. RICHEY. It would probably be a very foolish thing to do.

Mr. MARLENEE. A very foolish thing to do. I yield back the balance of my time.

The CHAIRMAN. Do you want to answer?

Mr. RICHEY. I think he would probably wind up getting prosecuted himself if he walked in and confessed to a bunch of stuff in order to file some sort of claim. He is in a bind. He is in a difficult position.

The CHAIRMAN. Mr. Richardson.

Mr. RICHARDSON. Thank you. Mr. Hermiller, Mr. Hamel has claimed the investigation you authorized violated his right to privacy. While you might not agree with that claim, I do understand you apologized to the citizens of Alaska for the investigative techniques that were used with respect to them and you indicated they wouldn't be taken again.

I think I for one respect the view that you need corporate privacy. What I want to ask you is, how did you know these documents were in the hands of Mr. Hamel—and might I say, would you characterize these documents that were in Mr. Hamel's hands as those that clearly violated the attorney-client privilege and contained information relating to what you might consider a trade secret or something that is corporately very sensitive to the operations of your company?

Mr. HERMILLER. Congressman, as you have heard, Mr. Hamel had a long period of time in which he had received company documents. I certainly was aware in early 1990 that Mr. Hamel also had an association with the producer of the program that was shown on the BBC, the *Scottish Eye* program.

The instructions I gave in this regard and that Mr. Wellington I know passed on to Wackenhut were that this investigation was to be focused on where those documents were getting out of Alyeska. Where were those documents being stolen from Alyeska?

That was the single objective of this investigation. But given that association, it was certainly Mr. Hamel was, a focus. We found out very, very soon after that that indeed he did have that document

and he had many, many more of our attorney-client privileged documents because as I said before he bragged about this.

The CHAIRMAN. Would the gentleman yield?

Mr. RICHARDSON. Yes.

The CHAIRMAN. I am sorry, I may have missed what you said. Did you say he gave that document to the producers?

Mr. HERMILLER. No, I didn't. I said I was aware that there was a friendship or association between the producer of that BBC program and Mr. Hamel.

The CHAIRMAN. All right. But you don't know whether in fact he gave him that document?

Mr. HERMILLER. No, I don't.

Mr. RICHARDSON. Would you characterize these documents as corporate sensitive, apart from anything that might be related to the investigation of this committee, trade secret? Your future plans with Japan—what is the range of documents that in your judgment were compromised or stolen?

Mr. HERMILLER. The ones that I referred to, as I said, were sensitive documents that I have been advised by both my general counsel and outside attorneys that were very, very sensitive to ongoing litigation regarding the *Exxon Valdez* spill that Alyeska was engaged in.

Mr. RICHARDSON. As I understand it the sequence of events went like this: You concluded you did not want your legal department to conduct the investigation because they were possibly sources of leaks.

Mr. HERMILLER. That is correct.

Mr. RICHARDSON. The second phase was: Did you or did you not conclude your general counsel also was possibly involved in the leaks and was he or was he not engaged?

Mr. HERMILLER. He was not engaged until later on in the investigation.

Mr. RICHARDSON. Your decision to hire Wackenhut was after the *Scottish Eye* disclosure and it was prompted by pressure from the shareholders of your company?

Mr. HERMILLER. Now, as I said before, in a meeting in January 1990 at which the *Scottish Eye* program was shown, this was the first time that the owners of Alyeska had any idea that these attorney-client privileged documents were outside.

And there was, as I mentioned before, concern expressed by all the owners and certainly there was great concern within Alyeska itself about these documents being in the public.

Mr. RICHARDSON. Did you ever consider hiring outside counsel?

Mr. HERMILLER. As this investigation started, we relied on counsel within Wackenhut and the instructions that Mr. Wellington gave to Wackenhut that this was to have a single objective to identify sources within Alyeska, that it was to use standard investigative techniques and that it was to be focused.

And those instructions were, as I have been advised, followed by Wackenhut during this period.

Mr. RICHARDSON. Now, at any time, did you ever talk with Wackenhut's legal counsel?

Mr. HERMILLER. I did not.

Mr. RICHARDSON. Any reason why not?

Mr. HERMILLER. I did not talk to anyone from Wackenhut at any point in this investigation.

Mr. RICHARDSON. Now, Mr. Hermiller, I—your—David Marquez is your general counsel?

Mr. HERMILLER. David Marquez, that is correct.

Mr. RICHARDSON. He is currently your general counsel. And Fred Smith is where?

Mr. HERMILLER. Fred Smith is still with us. He will leave us the end of the year. David came on July 1.

Mr. RICHARDSON. Before I go to Mr. Richey, let me give you a statement Mr. Marquez left yesterday at 12:30 p.m. November 4. [See page 606.] This was obviously before this morning. Were you here this morning?

Mr. HERMILLER. I was here.

Mr. RICHARDSON. You were here. Part of his statement I will not read but the conclusion is after the hearings are completed, all the witnesses have testified, and all the evidence is in, it will be clear that no Congressman nor any member of the staff was ever investigated.

In fact, the single purpose of this investigation was to trace stolen confidential attorney-client privileged documents back to their source within Alyeska. Alyeska gave clear instructions to Wackenhut that the investigation was to be conducted legally. We were assured it was and we believe it was.

My question is after this morning's testimony, do you still support that statement by your counsel?

Mr. HERMILLER. I do, I think, Congressman. Let me tell you, though, where I come out on this whole question. And that is, private investigations conducted by companies which involve third parties, particularly if those third parties are critics, just doesn't work.

I don't ever want to get involved in one of these things again, because I think one of the things you saw this morning is you lose control of some of these things. That is of great concern. I am not a security person. It is the first time I have been involved in one of these.

But believe me the risk benefits of this thing are just not worth it. I think the concept is fine. I, as a president of a concern like Alyeska, have a duty to protect company assets and in that sense the concept of trying to find out where these things are is fine. It is when you get it into practice that you run into problems. Of course, that is what has happened here. As I said before I would call in the FBI or I would get the State agencies in on this thing.

Mr. RICHARDSON. Mr. Hermiller, you seem very sincere. I have people that respect you and I must say I think your statement is a sincere one. Mr. Richey, you were here this morning also?

Mr. RICHEY. Yes, sir, I was.

Mr. RICHARDSON. Did you hear the questions I asked Mr. Wackenhut relating to your famous legal opinion of May 22, 1990?

Mr. RICHEY. Yes, sir, I did. I can't remember in specifics what they were, but I was here, I did hear the questions. I regret it very much that I could not precede Mr. Wackenhut. I think it would have been of great assistance to the committee and shortened this process if I could have testified first.

Mr. RICHARDSON. I am going to give you a chance now to respond basically. I am going to center my questions on your advice which I characterized as perhaps—and it relates to the investigation of Congressman Miller whether covert or overt, and basically the way I characterized it, reading your, I think very thorough, memorandum was that you indicated that there were risks, it was going to be difficult.

It probably was not advisable, but it was possible, and that both Wackenhut and Alyeska were fully in their rights to conduct an investigation which may use covert operatives who may assume different identities when dealing with a Congressman. I want to give you full opportunity to respond to what—when you were writing Mr. Wellington, in care of Mr. Wayne Black, what exactly were you saying about the investigation of Congressmen Miller?

Mr. RICHEY. The matter had arisen as I noted earlier basically 24 hours prior to the time Mr. Black came to see me. I must say, Congressman Richardson, that I cannot imagine any company or corporation, individual, reading this letter, even though it doesn't say thou shalt not investigate a Congressman, I cannot imagine a rational corporate person reading this letter and continuing with an investigation of a Congressman.

It is a parade of horribles. And I think it is quite clear from this letter that in context, taken as a whole, we say don't do it and we also say if you decide for some reason that you are going to do it on page two I specifically note that.

It begins on the preceding page, the very bottom line. [See page 453.] "We believe that neither Alyeska nor its agents should approach the Congressman as part of an undercover investigation until these issues [which we are raising in this memo] are adequately researched and analyzed and until you make an informed policy judgment that the potential benefits are worth the risks and associated costs"; and it is perfectly clear from our memo, which was done on an emergency basis, as fast as we could, that we did not believe that this subject was adequately researched.

The result of this is that the day after this memo came out, Mr. Wellington had a meeting with Mr. Black, and no further research was necessary because Mr. Wellington, as I understand it, very clearly got the drift of what I was saying in this memo, which was, don't do it. Mr. Black understood, don't do it. He said, Thank you for pointing this issue out to me, I had no idea that there was any issue in investigating a Congressman. He is a former public corruption investigator for the State. He was shocked at the concept, and I said, this is simply too powerful a position to get anywhere near.

Mr. RICHARDSON. So why do the memorandum in the first place? All right, Miller's name kept coming up, but did Mr. Black start talking about telephone recordings?

I want to note your memo here on page 5. Here I am quoting you, "Before recording conversations, however, you must determine whether this type of electronic surveillance is legal." At the bottom of the page, "It is our understanding that conversations with the Congressman might take place in Washington, DC., Virginia, and Maryland. Recording conversations with one party's consent is legal in the District of Columbia and Virginia. It is illegal in Maryland."

Did Mr. Black say to you, I want to go after this guy and the only way I can nail him is by telephone recordings? Why is this in your memo?

Mr. RICHEY. It is in the memo because whether they were going to investigate a Congressman or not, one of the questions Mr. Black posed to us, and he wanted it as part of a written memo as opposed to the immediate answer I gave to him that afternoon, was what was involved in tape recording in the various jurisdictions.

He had already considered tape recording because he had already determined, I suspect through Mr. Wellington, that it was legal to tape in Alaska. He told me that the first time he came, and he told me they planned to tape. The point I made to him was, in addition to not investigating a Congressman, should for some reason anybody be foolish enough to do it in the face of this memo, you better have everything on tape because you are going to get slaughtered with it, and even worse without it.

Mr. RICHARDSON. Now, Mr. Wellington, does what Mr. Richey said correspond to your conclusion? The memo I have in front of me now is the memorandum of Mr. Black to you, May 23, 1990.

Was it your conclusion after receiving this memo that you should get a legal opinion, or did you tell Mr. Black to stop it right there, especially after phrases—let me refer to page 5 of the memorandum—"Surely, future contact with Hamel will result in additional, more clarifying information about Congressman Miller."

Mr. WELLINGTON. Mr. Congressman, the concern that I had, as we proceeded through the investigation, was that Mr. Hamel was continuing, continuing to use Mr. Miller's name. And he also was continuing to talk about his association with staff members of this committee here. And I was concerned. I didn't feel I had the professional expertise to make a decision as to where we were going here.

Mr. Hamel asserted that he had paid for staff member's vacation to Alaska, he had asserted that the individual had come to his house and got drunk and he had to pour him in a car. He asserted that Mr. Miller stayed at his house in Valdez.

I said, wait a minute, time out, this appears to be an area we need to look at, because our main focus has always been who stole our documents, how do we go about getting them back.

That was our main focus. And I just did not feel comfortable, sir, with what appeared to be a relationship between Mr. Hamel and Congressman Miller and members of the staff. And at any time, at any time it looked as if there were going to be any indication at all that Mr. Miller was going to be involved in this, we were going to shut her down, and the words that I told Mr. Black were the barnyard words that my friend wouldn't want me to repeat here, when I flew to San Francisco, but I made it very goddamn plain that we were not going to investigate, have anything to do with investigating a Member of Congress or staff, and we would shut the damn thing down, and I said it in a little stronger terms than that, and I went home.

Mr. RICHARDSON. And the memorandum of Mr. Richey was in response to your request?

Mr. WELLINGTON. Mr. Black and I, sir, discussed this very sensitive issue, and I says, I think we need to get legal help. I says, I am into a situation now that I don't feel comfortable with. We still had

not made a decision at that time, sir, to bring in our in-house counsel.

So Mr. Black advised me that he had a law firm who had Members, who had a long history in evaluating corruption cases and things like this, and I says, get them on board and talk to them, because if there is any indication that Mr. Hamel is acting as an agent, I need to know where this is going to take us.

Mr. RICHARDSON. Thank you, Mr. Chairman.

The CHAIRMAN. Ms. Vucanovich.

Mrs. VUCANOVICH. Thank you, Mr. Chairman.

Mr. Hermiller, I would like to talk a little bit about your right to privacy. Mr. Hamel has claimed the investigation you authorized violated his right to privacy. And while you may not agree with that claim, I do understand that you have apologized to the citizens of Alaska for the investigative techniques that were used with respect to him, and you also said you wouldn't take similar action.

My question is, I want to ask you about Alyeska's right to privacy, and you, as Alyeska's CEO, also have a right to corporate privacy. Am I correct that very sensitive corporate documents that contain privileged communication between your attorneys and Alyeska were in the possession of individuals who lacked legitimate right to these documents?

Mr. HERMILLER. That's correct. That is what I was advised.

Mrs. VUCANOVICH. And how did you become aware or how did you know that these documents were in the hands of Mr. Hamel?

Mr. HERMILLER. I don't think we did know that at first. Certainly Mr. Hamel, as I said before, Mr. Hamel's association with the producer of the BBC program, led us to consider Mr. Hamel as being a focus for looking further. And as I said, indeed, within a very short time, within a month, Mr. Hamel revealed that indeed he did have documents.

Mr. Black then found out relatively quickly that he had over 600 pages of Alyeska documents, many of which were attorney-client privileged documents.

Mrs. VUCANOVICH. Mr. Hamel has repeatedly accused you of violating his privacy. To your knowledge, has he ever acknowledged that he may have violated your corporate right to privacy by acquiring your documents?

Mr. HERMILLER. Not that I am aware of.

Mrs. VUCANOVICH. Has he ever offered to return these documents to you?

Mr. HERMILLER. No, he has not, not to my knowledge.

Mrs. VUCANOVICH. Has he made an offer not to acquire your corporate documents in the future?

Mr. HERMILLER. No, on the contrary, I think he actively solicits them.

Mrs. VUCANOVICH. I am curious to know how you can survive if a private citizen continues to acquire your documents and corporate legal advice. It seems to me that you have now taken the proper action, and assured proper contemporary corporate ethical standards.

Do you have any indication that Mr. Hamel similarly will refrain from acquiring any Alyeska documents or other property?

Mr. HERMILLER. I have not gotten any commitment that that is the case.

Mrs. VUCANOVICH. Well, Mr. Hermiller, when you and Mr. Wellington discussed launching an investigation into the leaks of Alyeska documents, did you discuss the question whether your legal department should be informed?

Mr. HERMILLER. We did.

Mrs. VUCANOVICH. Can you tell us a little bit about what happened at that discussion?

Mr. HERMILLER. I think that we were concerned that the legal documents that I referred to, the privileged, confidential, sensitive documents, could be certainly getting out of our own legal department, our in-house legal department.

Certainly other possibilities were the contract legal firms that we had working on the litigation that I referred to before, and certainly during this period of time, it was a period of intense activity, literally thousands of pages of material were being copied, and we had to certainly contract clerical help.

Our first, I think both Mr. Wellington and my first thoughts were that perhaps these were the areas that the documents could be getting out of Alyeska.

Mrs. VUCANOVICH. Wasn't it likely that the leak of the attorney-client privileged document that appeared on the *Scottish Eye* program would have had to have started with someone connected with the legal department?

Mr. HERMILLER. That's correct.

Mrs. VUCANOVICH. And I think as the investigation progressed, I understand your legal department did become involved.

What made you change your mind and decide to involve your general counsel?

Mr. HERMILLER. I was advised by Mr. Wellington that certain procedures that he had followed with regard to our own in-house legal department had pretty much exempted them from further consideration.

Mrs. VUCANOVICH. Once your general counsel was involved, did he remain involved throughout the remainder of the course of the investigation?

Mr. HERMILLER. He did.

Mrs. VUCANOVICH. Why didn't you engage outside legal counsel at the beginning of the investigation?

Mr. HERMILLER. I wish I had.

Mrs. VUCANOVICH. Did you ever talk with Wackenhut's legal counsel?

Mr. HERMILLER. I did not.

Mrs. VUCANOVICH. Any reason?

Mr. HERMILLER. I did not talk to anyone from Wackenhut that was connected in any way with this investigation.

Mrs. VUCANOVICH. Thank you.

I would like to ask Mr. Richey a couple of questions. Mr. Richey, I am pursuing the Wackenhut investigation. Why did Wackenhut consult you to begin with?

Mr. RICHEY. I believe Mr. Black came to me because of the nature of my knowledge and experience of this particular type of problem.

Our law firm does a lot of this work for many kinds of clients. We had a major case last year, for instance, with the bank in Miami that was ripped off in a $3 million fraud where their property was taken. That man is now in the Federal penitentiary. We handed that case to the FBI.

Mr. Black is aware of that. He and I have done this type of thing with people involved in ripping off corporations and individuals before. Because of my unique experience, we sort of specialize in this area. I think that is why he came to me.

Mrs. VUCANOVICH. I would just like to establish, did you ever discuss the legal consequences of taping conversations of Mr. Hamel with Wayne Black?

Mr. RICHEY. Oh, yes. And in fact, he asked me that at the first meeting. I immediately walked into the library and did a quick check. I picked up Carr on electronic surveillance on the shelf and brought it in, and told him that, on an off-the-cuff position, this is what I thought, but that we needed to look at this further, and we addressed the issue in the legal memorandum.

He had already planned on tape recording Mr. Hamel if he could, and as I stated earlier, he had discussed that, I believe, with Mr. Wellington, and knew that he could do it in Alaska even before he came to us.

I advised him that if he was taping Mr. Hamel that every place it was legal to do so, he needed to tape every conversation he could, because you get into a problem, it has been my experience in prosecuting cases, it has been my pleasure to take advantage of some United States attorneys who had this problem, if some conversations are taped and some aren't, it turns into a problem for the party who has the taped conversations. So I told him as long as it was legal, he needed to try and tape it all with regard to to Mr. Hamel.

Obviously the position was that no Member of Congress and no staff member would be taped. Mr. Black and Mr. Wellington and I had had a discussion, separately but it was all the same, as I understand, that if any Member of Congress or their staff showed up in this investigation, Mr. Black was to immediately identify himself as Wayne Black from The Wackenhut Company to make sure that they were not misled as to who he was.

Mrs. VUCANOVICH. How did Mr. Miller's name come into this investigation?

Mr. RICHEY. Mr. Hamel brought it up, and he brought it up repeatedly.

Mrs. VUCANOVICH. And what was your advice with regard to Mr. Miller?

Mr. RICHEY. Stay as far away as you possibly can. That it's extremely dangerous; it's a powerful, powerful position. If the person is committing every crime in the book, still stay as far away as you possibly can.

Mrs. VUCANOVICH. To your knowledge, was this advice adhered to?

Mr. RICHEY. To the best of my knowledge, it was adhered to all the way through.

Mrs. VUCANOVICH. Were you aware of Mr. Hamel's pollution allegations?

Mr. RICHEY. I learned about them through some of the conversations that he had with Mr. Black, and he in fact wanted Mr. Black to conduct some sort of surveillance of dumping, and Mr. Black asked our opinion. And we wrote a memorandum with regard to what his obligations would be if that occurred, but we told him, stay away from that, try not to get involved in that, try not to do something that he might be able to get somebody else to do rather than you, because then if it's true you are not obstructing their being able to report what actually happened, and you don't want to do that. You want to keep out of the way of obstructing somebody from reporting a violation if it occurs.

Mrs. VUCANOVICH. Were you convinced at any time that Mr. Hamel actually had received stolen documents?

Mr. RICHEY. Oh, yes. Mr. Hamel admits on the tapes that he has received stolen documents. Mr. Hamel has admitted repeatedly this.

He is also admitted his reason for going after the oil companies. He wants money. The man is an extortionist.

Mrs. VUCANOVICH. I have no further questions, Mr. Chairman. Thank you.

The CHAIRMAN. Mr. Richey, if you could provide for us where that is said on the tape, I think that would be helpful to the committee because we have not yet been able to locate that.

Mr. RICHEY. I will go through and give you the sections where the general conversations occurred which confirm to me Wayne Black's original statements in his interviews prior to the time they started taping.

So you have a combination of factors. You have the interviews with Black, you have the confirmation on the tapes, and you have the letter of the meeting concerning Mr. Hamel's counsel with counsel for Alyeska, which I referred to earlier, which is the Heller Ehrman letter indicating that in a conversation with Julian Mason, that Mr. Hamel would quit reading their mail and quit doing these bad things to him if they can get themselves paid off.

The CHAIRMAN. I understand that, but could you provide us for the record with where on the tape Mr. Hamel received stolen documents?

Mr. RICHEY. What I'll do, I will provide you with a combination of the memos Mr. Black reported to me and those sections of the tape which I believe confirm it.

The CHAIRMAN. So we are back to what you believe.

Mr. RICHEY. No, sir. I saw it, it is good evidence, I would love to present it to a jury.

The CHAIRMAN. Well, I just want you to provide it for the record.

Mr. TAYLOR. Mr. Chairman, would it be possible for us to enter all the tapes into the record and go from there?

The CHAIRMAN. We will make that decision down the road. We have discussed that with the Minority. All Members have access to it at this time.

Mr. RICHEY. Mr. Chairman, I have advised my client that they should fully disclose absolutely everything here. I think the committee would be performing a public service by disclosing those tapes.

The CHAIRMAN. Once again we have your beliefs and opinions.

Mr. RICHEY. Just trying to help.

The CHAIRMAN. The gentleman from Florida. Excuse me, Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you.

Mr. Hermiller, I think I am at least—I am not quoting you directly. I am quoting you in context. Generally, when you said you didn't want to ever get involved with something like this again because it gets away from you. I will grant you, for purposes of our conversation, your good faith with respect to that, that you were concerned as to what had happened inside your company and relied on Mr. Wellington as your security person to look into it. And I will also grant on terms of good faith, Mr. Wellington, that you did the best you could, and that when people in good faith carry out something like this, often, if it starts to get away, you think it gets away, then you have to bring in the attorneys, and I think we can all sympathize with each other when that happens.

Now, with respect to that, I want to get very clear in my mind about something I think is getting away from all of us here. No disrespect to you, Mr. Richey, but your view of what is allowed legally or not and what is good policy and not good policy from a company point of you may be two different things.

I think if I understand the conversation that has taken place with Mr. Wellington and Mr. Hermiller today, whether something is legal or not is not necessarily something that is good policy, right? Is that a fair characterization?

Mr. HERMILLER. Yes.

Mr. ABERCROMBIE. The reason I am asking is about these phone records.

Now, Mr. Richey stated at one point, that they never really cared, AT&T, and so on, about keeping records. I think this privacy issue is very, very important. You think it is very, very important, obviously, with respect to your company, right?

Mr. HERMILLER. That's correct.

Mr. ABERCROMBIE. Now, I have in front of me, and I am not trying to throw a fast one to you here, the only reason I am bringing it up is because of the question of the phone records coming out. This is a copy of the *Anchorage Times,* Friday, September 27, and if you will grant me, I don't know if you have a copy or have seen it, but if you grant me that I am not trying to trick you or lead you down a primrose path, I just want to quote a portion and get your response. [See page 607.]

"Alyeska spokeswoman Marnie Isaacs said Thursday," this is part of an article from Tert Tarrant, the *Times* business writer, on page—I am sorry, I don't have the page, but it's Friday, September 27th. the *Anchorage Times.* "Alyeska's response to the Trustees"—this is something called the Trustees for Alaska, are you familiar with that organization?

Mr. HERMILLER. I am.

Mr. WELLINGTON. Yes, sir.

Mr. ABERCROMBIE. " 'Right now it is our No. 1 priority,' Isaacs said. We will be replying, and it will answer all of the Trustee's questions and will include monitoring of phone records.' "

This is the third—I believe it is the third column, if what Mr. Jordan put in front of you is what I am referring to. Are you familiar with this statement in any way, in general?

Mr. HERMILLER. I am really not, Congressman. I kind of stopped reading the papers, to tell you the truth.

Mr. ABERCROMBIE. I understand. But let me ask Mr. Wellington that.

Mr. Wellington, at any time during the investigation, and I have gone through your testimony, during this investigation, were phone records a part of the reports that were being made to you?

Mr. WELLINGTON. Yes.

Mr. ABERCROMBIE. OK.

Did you question at that time how the phone records were obtained? Was this part of your anxiety as to how—let me ask you why—let me tell you why I am asking that question, again, so it is very clear.

I take on faith that you were very concerned that all this be done on the up-and-up, and that deep water could be gotten into fairly quickly. Were you concerned about how the phone records were obtained?

Mr. WELLINGTON. During the course of the review of the conduct of the investigation, and I think I need to kind of lead you through it because—once Mr. Richey's firm was brought in, they gave us the opinion memo on May 22, I believe it was, and I flew down to San Francisco and met with Mr. Black, and we put a caveat on where we were still going with the thing, we then decided at that meeting, sir, to continue to use the law firm of Mr. Richey and his partner, to advise the Wackenhut investigators, particularly Mr. Black and Mr. Lund, as they saw fit.

I am in Alaska, they are in Florida, dealing with a lot of activity in the lower 48, and Mr. Hamel is sitting here in Virginia. So basically I told Mr. Black and I told Mr. Richey that, as we progress through this, if you need legal advice, just go get it. You don't have to call me and hunt me up, just go get it. I think Mr. Richey will probably testify that was done regularly.

As far as the telephone calls were concerned, during the general meetings that we had where Mr. Richey and his law firm were present, by then our in-house counsel, Mr. Lon Trotter, was present. Our California attorney was present. And this other attorney in Alaska was up there.

I would go around the room and say, does anybody see anything wrong with what we are doing? And sometimes if you don't pin an attorney down, you don't get a very good answer, so I would point to them. Any problems with what we are doing? I says, if any one of you people feels squeamish about what we are doing, we ain't going to do it.

And we talked about the telephone records in that vein. Does anybody have any problems with the videotaping, with this, with that? And they all sat there and said, fine, you are in good shape. So did I get legal advice? I had attorneys hanging out of all my pockets before this was over with.

Mr. ABERCROMBIE. Very good. This is getting some real clarity here for ordinary people.

Mr. WELLINGTON. That is why I needed them, too.

Mr. ABERCROMBIE. I understand.

When you said, is this all right, did you have any knowledge as to whether there was any phone conversations beyond that which has been discussed generally at this hearing, for example, in Alaska?

Mr. WELLINGTON. Any——

Mr. ABERCROMBIE. Telephone records of, say, the Trustees for Alaska or anybody else in Alaska.

Mr. WELLINGTON. We had provided some internal ROM switch records off of our own system that were analyzed.

Mr. ABERCROMBIE. Not those. I am talking about something that would be obtained in whatever fashion in Alaska or any phone records of anybody other than Mr. Hamel, or somebody connected directly to Mr. Hamel.

Mr. WELLINGTON. I believe that when we reviewed the reports, that there were other ones in there, sir, but I couldn't say specifically which ones they were.

Mr. ABERCROMBIE. OK. Are you familiar with what Ms. Isaacs might have talking about when she said, including the monitoring of phone records?

Mr. WELLINGTON. I am not exactly sure what she is talking about, but it is my understanding that in all probability, there was no monitoring of—I guess it wouldn't be AT&T up there, Anchorage Telephone Utility records for Trustees for Alaska.

Mr. ABERCROMBIE. So the answer might be that there was no monitoring of phone records, the answer could be, no, there was not?

Mr. WELLINGTON. That's correct.

Mr. ABERCROMBIE. I am not saying that is the answer, but that might have been what the company is going to be coming forth with.

Mr. WELLINGTON. Sure.

Mr. ABERCROMBIE. OK, the reason I want to go into that is, this has to do with policy, Mr. Hermiller, I don't know Mr. Hamel from a white seat on a blue bicycle. OK.

The problem here is, for me, that for Mr. Hamel, apparently, you are the villain, or collectively there is a villain here in the oil company. This is what I have gotten from it and from your point of view, Mr. Hamel is the villain.

What I am concerned about here is whether or not we have gotten so far afield in this Nation from the—I think Mr. Wackenhut said this morning there are as many laws on surveillance as there are stars in the sky. But there is a North Star and it is fixed. And where I come from you navigate by the fixed star. The fixed star for me is the Constitution of the United States. And whatever bad judgment or good judgment I might make or whatever opinions I have that are worthy and unworthy and so on, that Constitution is the fixed star. And I am sure Mr. Richey would agree with that, regardless of what difference of opinion we might have.

So what I fear is that in the name of succeeding with what we want to accomplish in terms of policy, we forget about the fundamentals, and the fundamental here is the rule of law under the Constitution that we all serve. That is why I am worried about this net being cast out there and whether we develop a casual attitude

with respect to whether a document is stolen or not stolen. If it was stolen, it is okay for me to steal it back, for me to appropriate to myself, including myself as a Member of Congress, some kind of prosecutorial or judicial garment that I assume, and as a result, that we find ourselves at this hearing today.

So the reason I ask about Trustees for Alaska or anybody else is, I want to find out whether this investigation went beyond Mr. Hamel into—or whether there was a policy in regard to the investigation other than Mr. Hamel that said, go anywhere that you think there is something going on, and carry it out. Was that or was that not——

Mr. HERMILLER. I agree with what you said, Congressman, and as I said before, I am absolutely against and will never again be involved in a private investigation that we got involved here, because of that loss of control.

I regret very much, for example, the Dan Lawn situation. How that tied into our legal documents, I have absolutely no idea. But it was done and I found out about it.

The Trustees for Alaska, I think, fall in the same category. It was done, but certainly I am not sure what it really added to the investigation.

Mr. ABERCROMBIE. I think if nothing else it is good you came here today because I had a different idea before your testimony of what Alyeska's orientation was, let me say, than what has been presented here.

I just want to, I guess, conclude then by saying that I do find it disconcerting at best, and outrageous at worst—just trying to think for myself, I will be frank with you—how I would feel if someone came into my house under false pretenses and took mail or documents, however they want to characterize it, from my house. I might have to reconsider how I feel about the National Rifle Association or something.

I hope that if nothing else comes out of these hearings, that people will understand that we can't live this way together in this country. If we are going to dispute with one another, let's dispute in the open.

I also have concluded on this that we do need to determine whether or not those kinds of things were in fact legal, and if they were not, then they need to be prosecuted, they need to be pursued, and not be merely inveighed against by us or anybody else.

Thank you, Mr. Chairman.

Mr. LAGOMARSINO. Mr. Chairman.

The CHAIRMAN. Mr. Lagomarsino.

Mr. LAGOMARSINO. Mr. Chairman, I just have one question. I don't think this question has been asked.

Mr. Richey, there have been claims that the Wackenhut investigators illegally obtained personal credit information. Can you comment on that?

Mr. RICHEY. Yes, sir. What happened, as I understand it, from the paperwork in the file, is that they made what is known as a DTEC request to the company involved. A DTEC request gives you name, address, phone number, that kind of general public information, and it does not give you credit information. The credit company document itself shows at the top that it is a DTEC request, but

the credit company sent more than they had been requested to send, and that there is no violation by——

Mr. LAGOMARSINO. You say "they," you are referring to Wackenhut?

Mr. RICHEY. Yes, sir, to Wackenhut. And I looked at those documents just the other day, because the issue had been raised, I had not previously looked at them, and there is no violation of law.

Mr. LAGOMARSINO. Thank you.

The CHAIRMAN. Mr. Johnston.

Mr. JOHNSTON. Mr. Hermiller, let me review some of the testimony that you had with Mrs. Vucanovich. You said that these documents that Mr. Hamel received, most of which came from in-house attorneys, contract attorneys, clerical workers?

Mr. HERMILLER. I don't know where they came from, Congressman. I said that those were the three likely, certainly as we looked at this thing initially, those were the three likely sources.

Mr. JOHNSTON. Do you have any evidence at all that any of these documents came from any source other than employees or contract employees of your organization?

Mr. HERMILLER. I don't have any evidence.

Mr. JOHNSTON. Now, Mr. Richey, you just heard his testimony. I should say the prominent Mr. Richey.

Mr. RICHEY. You are too kind, Mr. Johnston. It is the prominent Mr. Johnston. You're the only Member of this committee I have seen before and heard of so it's nice to see a Floridian.

Mr. JOHNSTON. I am not sure that is good or bad, but Mr. Wackenhut referred to you this morning as "the prominent" every time he referred to you.

Mr. RICHEY. Well, he is very kind.

Mr. JOHNSTON. You just heard his testimony, and earlier you said Mr. Hamel admitted receiving stolen documents.

Mr. RICHEY. Yes, sir.

Mr. JOHNSTON. Every one of the documents came from your client's employees.

Mr. RICHEY. Employees can steal, and the purpose of this investigation was to figure out which employee was stealing.

Mr. JOHNSTON. But at the time they arrived at the post office box of Mr. Hamel and he opens them, is he then guilty of a crime?

Mr. RICHEY. Yes, sir, he is, if he knows they are stolen, and he indicated he knew they were stolen. Possession of stolen property, knowing it to be stolen, is a crime.

Mr. JOHNSTON. And his admission was to Mr. Black?

Mr. RICHEY. Yes, sir.

Mr. JOHNSTON. And you are sure Mr. Hamel, could it have been braggadocio, he was receiving stuff from Alyeska's employees, and saying, Gee, they were stolen?

Mr. RICHEY. There is a doctrine in the law with regard to admissions, indicating that people do not normally admit to criminal activity unless they are in fact involved in crimes. He may have been doing anything. I don't know, I don't know Mr. Hamel. I had never seen him until yesterday and we said hello and shook hands.

Mr. ABERCROMBIE. That was before you called him an extortionist.

Mr. RICHEY. He is an extortionist, in my opinion. I think that is clear from the record. But I am not mean, I don't have anything personal against Mr. Hamel.

Mr. JOHNSTON. Don't sugarcoat it in the future.

Mr. RICHEY. Mr. Johnston, that is one reason that Mr. Black came to me. I never sugarcoat.

Mr. JOHNSTON. Mr. Wellington.

Mr. WELLINGTON. Yes, sir.

Mr. JOHNSTON. There were certain documents Mr. Black and his employees or Mr. Lund and his employees found in the garbage or trash of Mr. Hamel. One of them dealt with privileged communications between him and Trustees for Alaska. Were they passed on to you at all?

Mr. WELLINGTON. I don't believe there was any confidential or privileged communications in the trash. I am not aware of any.

Mr. JOHNSTON. Were there any communications at all between the Trustees for Alaska, their attorney, and Mr. Hamel that are in your possession?

Mr. WELLINGTON. No, I have nothing in my possession.

Mr. JOHNSTON. Do you know what a pen register is?

Mr. WELLINGTON. Yes.

Mr. JOHNSTON. Would you tell the committee your definition of a pen register?

Mr. WELLINGTON. It is my understanding, and I am not an electronic expert by any means—and I don't own one either, and neither does our company, to make that clear for the record, so if you gave me one I wouldn't know how to operate it—but it is my understanding you can hook it up to the telephone lines and as phones are either digitally dialed or electronically dialed, it spits out the number or records a number that is going out, and I believe it also would capture the length of time that the call is being—the line is being trapped.

Mr. JOHNSTON. I read part of Mr. Ramirez's affidavit this morning, about pen registers being in the possession of Mr. Lund. [See page 438.]

Mr. WELLINGTON. I never saw any. I don't have any.

Mr. JOHNSTON. Do you know Mr. Lund?

Mr. WELLINGTON. Yes, I do.

Mr. JOHNSTON. Let me refer you to the memorandum from Mr. Black to you of May 23, 1990. I think it is Exhibit 18. [See page 444.] If I could read part of it, "Ongoing telephone toll analysis reveals sustained activity between Hamel and others involved." Second page, "Investigation in progress . . . Ongoing telephone toll analysis."

To me, that would indicate immediate transfer to Black of knowledge of current telephone calls made to and from Hamel. Would that not—would you not render the same observation?

Mr. WELLINGTON. No.

Mr. JOHNSTON. What does that mean, then?

Mr. WELLINGTON. To me, in my experience, that means that as the investigation continues, that they are continuing to conduct toll analysis as they receive them between Hamel and others. In other words, as they get them from AT&T or whatever their source

was, that they were continuing to do that. That is what I take it to mean, and that's what I took it to mean.

Mr. JOHNSTON. Could it also be considered as immediate analysis of immediate telephone calls received by Black through a pen register?

Mr. WELLINGTON. I think a person who wasn't familiar with the case and didn't understand what the guidelines were and was sitting around might take this out of context and say it could mean almost anything. So your interpretation, I think, would be reasonable, for an uninformed person.

Mr. JOHNSTON. But you——

Mr. RICHEY. Mr. Johnston, could I address that? I have very substantial experience as a prosecutor with pen registers and traps, and ran many of them for a number of years.

There was no local call information ever developed in this investigation. The pen registers do local calls as well as long distance calls.

And I would also note, there were questions asked this morning about whether there was an indication of illegal wiretapping of various types. The result of that kind of illegal wiretapping of various types is that this investigation would have moved very quickly, you would have known immediately who the sources were, and would not have had to do all of this hard work they did.

In addition, when you have illegal surveillance, it has been my experience as a prosecutor who prosecuted police officers for wrongdoing and subsequently defended cases involving this type of activity, that there are mysterious confidential sources having very interesting, detailed information and there is no explanation for it. You know immediately that the reason for it is because there is an illegal wiretap.

There is absolutely no evidence whatsoever looking at the body of evidence in this case that there is any sort of unexplained evidence of that type indicating either telephone taps or pen register information. I haven't seen anything there, and I think my nose would have smelled it if it had been there. And I certainly would have been extremely upset if I thought for a minute that was going on.

Mr. WELLINGTON. Mr. Johnston, let me also say, that you go back and take a look after one of these things unveil like this did, and see whether there was anything that would trigger an individual as far as somebody telling you something and it not being so.

I went back and reviewed the Wackenhut reports as long as I had them and I didn't see anything there in my professional experience that would lead me to believe that anybody was playing games with me.

There were no confidential sources, unknown sources, midnight phone calls, which is sometimes used to cover an illegal activity. There was none of that in these reports. And you have all this in front of you.

So from my 35 years of experience, after I went back and reviewed it, I still did not see anything that gave me a queasy feeling.

And, in fact, I called Mr. Black and I says, have you, have you committed any of the violations that are being reported in the paper and on the news? I want to know.

And he said, no, I have not.

I said, thank you.

Mr. JOHNSTON. Mr. Wellington, look at the next page. Page 3 of the memo from Black to you. On the top of the page, "Our ongoing investigative plan involves the following." And then go down to F. "Continue telephone toll analysis."

You are claiming that among the noncognoscente, meaning myself, that I would assume that that would have another interpretation than you going out in the open market and buying these records from AT&T.

How long does that take you, to get current records from AT&T as to phone calls?

Mr. WELLINGTON. Mr. Johnston, I am not sure how long it takes somebody who is purchasing these to get them, but again, to me——

Mr. JOHNSTON. Thirty days?

Mr. WELLINGTON. I don't know. I have never gotten any in my life.

Mr. JOHNSTON. They are not cranked out until the billing is cranked out, right?

Mr. WELLINGTON. I don't know what their billing cycle is.

Mr. JOHNSTON. It is a monthly billing cycle. The pen register would give it to you immediately. The bill you would have to wait 30 days for.

Mr. WELLINGTON. That's correct.

Mr. JOHNSTON. Lund has pen registers; Lund is an employee of Black, and Black has been in Hamel's house, right?

Mr. WELLINGTON. That is correct.

Mr. JOHNSTON. No further questions.

Mr. RICHEY. Mr. Johnson, could I try and assist you?

Mr. JOHNSTON. I will yield some of my time.

The CHAIRMAN. Your time has expired.

Mr. JOHNSTON. My time is shot.

The CHAIRMAN. It is the intention of the Chair that this will be the last panel, and that we will reconvene tomorrow morning at 9:45, in 1324, the Interior Committee Room, for the remaining witnesses. We are running into conflicts here, and this is the easiest way to deal with them.

Mr. Richardson. Excuse me, Mr. Vento.

Mr. VENTO. Mr. Chairman, I have no questions.

The CHAIRMAN. Has everybody had questions on that round?

We have finished that round.

Mr. TAYLOR. I would like another when the time comes.

The CHAIRMAN. Sure. Mr. Hermiller, let me go back to the question of launching this investigation. When did you inform Mr. Garibaldi of British Petroleum about this investigation? He is or was he then the chairman of the Owner Companies group, is that correct?

Mr. HERMILLER. That is correct, he was the chairman of the Owners Committee.

I mentioned to Mr. Garibaldi that we were going to initiate an investigation to try and determine where documents such as the

document that had been shown on the *Scottish Eye* program were getting out of Alyeska, and that was probably contemporaneous with the start of the activities.

The CHAIRMAN. It was specifically related to that type of document——

Mr. HERMILLER. It was related to leaks within—I think the way I described it was, where are the leaks occurring in Alyeska.

The CHAIRMAN. How often did Mr. Wellington brief you on the course of this investigation?

Mr. HERMILLER. I would say typically it was every 2 weeks, perhaps oftener. If, for example, in the month of August, when there was more activity, it may have been once every week, but typically 1- to 3-week kind of timeframe.

The CHAIRMAN. And those briefings took the form of what? They were done how?

Mr. HERMILLER. They were done orally. He typically told me what was going on in the investigation.

The CHAIRMAN. You share office space? Did he call you by phone?

Mr. HERMILLER. I think that sometimes it was just that we—he would call and see if I were there, and come up for 10 minutes, and we would talk.

The CHAIRMAN. And he would tell you what?

Mr. HERMILLER. He would tell me what was going on.

The CHAIRMAN. And you would ask him what?

Mr. HERMILLER. That's correct. Oh, I would ask him what—certainly if he raised a point, there was further elucidation or further discussion necessary, I might ask him questions, but typically he reported to me about what was going on in the investigation.

The CHAIRMAN. Would you ask him about things that you wanted done or suggestions you made about this investigation?

Mr. HERMILLER. No, did I not. Besides framing originally what I expected from the investigation in terms of its lawfulness, its focus, certainly I did not try to in any way direct the investigation or tell him which direction or what paths we should be following.

I have great respect for Mr. Wellington. He has been in the business a long time, and he pretty much directed it for Alyeska.

The CHAIRMAN. Somewhere in this voluminous record there is a discussion about—we had a hearing where you testified, and I think I am characterizing this correctly, and please correct me if I am not. And then there is a discussion apparently later about whether you are going to be set up by me or the committee or what have you, based upon your testimony. You learned about that how?

Mr. HERMILLER. That was, I think, Mr. Wackenhut referred to that this morning. I testified before your committee last March, and I think one of the questions that you asked me at that time, was there corrosion on the vertical support members along the pipeline. Those are the more or less 80,000 or whatever there are out there. And I responded that corrosion was not a problem on the vertical support members.

I learned later on then that—and it came as a result of this investigation—that Mr. Hamel said he was going to get another hearing scheduled, or you would schedule another hearing. At that time you would ask me again about corrosion on the vertical support

members, and I would perjure myself, and at that point in time I would be set up, or something.

The CHAIRMAN. But you came across that how? That was a report from Mr. Wellington?

Mr. HERMILLER. That was a report from Mr. Wellington.

The CHAIRMAN. What was your response to that?

Mr. HERMILLER. My response was to find out immediately whether there was any corrosion on the vertical support members, because I had testified that there wasn't, and that was my best information.

The CHAIRMAN. And the outcome was what?

Mr. HERMILLER. There is none. You know that we have some settlement along—on the vertical support members, but typically that is the only problem we have there.

The CHAIRMAN. Mr. Wellington, who else did you talk to within the Alyeska Corporation about this investigation?

Mr. WELLINGTON. At what timeframe, sir?

The CHAIRMAN. During the investigation. Did you just report to Mr. Hermiller? Did you discuss this investigation with others? I mean, you were now getting a flow of information, I assume, from Mr. Black, I guess, who would be your conduit. Is that correct?

Mr. WELLINGTON. Mr. Black was the individual that Wackenhut had assigned to handle and supervise the case, yes, sir.

The CHAIRMAN. So is he your conduit to the investigation? Was he your liaison or was Mr. Richey your liaison?

Mr. WELLINGTON. Basically Mr. Black.

The CHAIRMAN. So as you received this information, were you discussing this with anyone else?

Mr. WELLINGTON. Basically, the procedure, Mr. Chairman, that I set up, when we initially went into the investigation, was that Mr. Hermiller would know. My immediate supervisor, the vice president of administration, would have some general knowledge. And one individual in my office would have general knowledge, just in case I got run over or something happened to me. So those are the people that were involved.

Did I answer your question?

The CHAIRMAN. Yes. Let me ask you this.

In an August 31, 1990, memo from Mr. Goodman to Mr. Richey, he says, "According to Wayne, however, Alyeska has now decided to change the proposed approach for dealing with Hamel. Now, Wellington wants all of the information to be presented to the FBI in Alaska for criminal prosecution of Hamel and others." [See page 608, a.k.a. "PROSS" Memo.]

What does that mean? What were you looking for then? This is now in August 1990.

Mr. WELLINGTON. Yes, sir. When we had our strategy meetings on the investigation, at Wackenhut's corporate headquarters in Coral Gables, and by then we had two attorneys from Florida, our in-house counsel, Lon Trotter, one of our senior attorneys, we had Peter James from the law firm in California onboard. At that time we started talking strategy as to how we were going to proceed.

It was decided that because of Mr. Richey's expertise at his law firm in the criminal area, that they would take the material that

dealt with the criminal aspects of the case, and prepare it for presentation to the appropriate Federal authorities.

Mr. James from California would prepare the appropriate legal documents to be reviewed by Alyeska and the owners with the possibility of filing any civil suit. So that is where we were, and that is probably what that is referring to.

The CHAIRMAN. Did Mr. James prepare that document?

Mr. WELLINGTON. I believe Mr. James was in the process of preparing the document. It is my understanding, Mr. Chairman, that we have an owner company agreement where prior to filing any lawsuit, we have to get permission from the owners. Mr. Hermiller can probably address that better than I can.

I can go down and talk to the FBI, but in a case of this magnitude, we felt the owners needed to be involved. We were prepared, Mr. Chairman, if you are trying to find out, we were prepared, and it was my recommendation as a professional that we go to the FBI and we go to court and we get our documents back and we prosecute the people responsible.

The CHAIRMAN. I understand that. This day is starting to run together here, but one of you suggested in your opening statement today that you decided at some point nothing much was going to come of this, and you wanted it terminated.

Mr. WELLINGTON. I think the point we got to was that we had run the investigation for about 5 or 6 months, and collectively we felt that we probably were about as far as we were going to get with this investigation, so let's split out the legal responsibility between our experts on the criminal side and our experts on the civil side, and let's go ahead and proceed to put the case in order so that we can go to the appropriate authorities, file the appropriate lawsuits, and get the matter resolved.

We were prepared to go public. We were prepared to go public at some point in time from the day that we started this.

The CHAIRMAN. And that was a lawsuit against whom?

Mr. WELLINGTON. That would be a lawsuit against any individual who our attorneys felt had violated our sixth amendment right to counsel, whatever the case may be. We did not know at that time who, but we were prepared.

All the evidence, all the evidence, sir, that we collected, was going to have to stand up in a court of law because that is where we were headed.

The CHAIRMAN. I understand that. What I am trying to determine is, that memo was to be developed for the purposes of the prosecution of this case? I mean, as you pointed out, the intent of doing all of this work was eventually you would be able to put together a case you could take to the authorities.

Mr. WELLINGTON. Yes, sir.

The CHAIRMAN. So my question is, so who were you taking to the authorities?

Mr. WELLINGTON. At that time——

The CHAIRMAN. What was the intent at that time?

Mr. WELLINGTON. At that time, the individuals that appeared from my perspective to have violated, and I am not an attorney, violated the laws, were Mr. Hamel, possibly Mr. Scott, an employee of Alyeska, those two individuals at that time.

The CHAIRMAN. Just those two?

Mr. WELLINGTON. I believe those were the two at that time. There was a couple of others that I would just as soon not—that may have fit in that category.

That would have to be the decision of the prosecutor to make. I wouldn't want to make that.

The CHAIRMAN. Mr. Scott and Mr. Hamel were the subject of the prosecution memo.

Mr. Hermiller, was this memo ever done?

Mr. WELLINGTON. What memo?

The CHAIRMAN. The prosecution memo.

Mr. Richey.

Mr. RICHEY. No, sir, it was not.

The CHAIRMAN. If you can just tell us your involvement in this decision.

Mr. RICHEY. What had happened was that we had had an earlier meeting and we had had ongoing communications from Mr. Black which Mr. Wellington was also receiving, with regard to what the evidence was like, and at the September meeting we discussed it.

There came a time, and it is reflected in that memo there, I don't have it in front of me, whenever that time was——

The CHAIRMAN. This is August 31, the memo. [See page 608.]

Mr. RICHEY. All right. And we had a meeting then scheduled in September, for September 20, and when I received that memo from Mr. Goodman, I very shortly thereafter sent a fax to Wayne Black saying, I want transcripts properly prepared, the way he knows I want them, which means that they have to be of the best quality, he has to authenticate them, they have to be admissible in evidence because I am not going to look at them except once, and he has to put together a package for me.

The CHAIRMAN. Do we have that memo, do you know?

Mr. RICHEY. Yes, you have that letter. Some place in there is a letter from me to Mr. Black saying, get me the transcripts as soon as possible.

And then when we had the meeting on September 20, they were busy and they didn't have them yet. I guess Mr. Black had been out of town or something about that time, and I again repeatedly stated at the meeting on September 20, this is how I want the evidence, this is how I want it done, I want the package put together, and we will come out here, Goodman and I, and spend some time at Wackenhut, because we want to keep the evidence there. I didn't want to potentially let things get out by having them down in the lawyer's office. We were going to do the work at Wackenhut. We were going to put together a PROSS memo based upon our judgment of whether it was there or not.

The CHAIRMAN. And the subjects of that PROSS memo were whom?

Mr. RICHEY. Well, that would be determined after I reviewed the evidence. But initially, Mr. Hamel, for an extortion and theft and racketeering case.

The CHAIRMAN. And who else?

Mr. RICHEY. I didn't have sufficient information——

The CHAIRMAN. And Mr. Scott?

Mr. RICHEY. He had some information about Mr. Scott. I didn't know what I thought about that. And since we never put the package together, and never made the analysis, I don't know what I think about Mr. Scott. I don't have any idea.

The CHAIRMAN. Did it include Members of this committee?

Mr. RICHEY. Absolutely not.

The CHAIRMAN. Did it include staff of this committee?

Mr. RICHEY. Absolutely not. Neither civilly nor criminally. The civil suit was to get the documents back, that's what was going to be done; a civil suit seeking injunctive relief.

I had sent out to Mr. Peter James some papers in a case I worked on which showed how to get an order from a judge and the form an order from a judge could take to have the U.S. marshals go into Mr. Hamel's premises and seize the stolen documents with a civil search warrant. I've done a number of those myself.

The CHAIRMAN. The PROSS memo is for the purposes of criminal prosecution?

Mr. RICHEY. Yes, sir, there were two completely different concepts, one civil, one criminal.

The CHAIRMAN. In Mr. Goodman's memo, he says, "In order to do so, we need to provide everything to the FBI on a 'silver platter,'" which goes along with your earlier memo. "Wellington wants to see how we would do this. Specifically, he wants us to deliver the PROSS memo, which we would deliver to the FBI, along with . . . bodybugs, tapes, interview notes, seized documents, exhibits, etc."

Mr. RICHEY. Yes, sir, that is exactly what we would have done. As I mentioned earlier, we did that for a local Miami bank last year. We gave a PROSS memo with all the information to the FBI, and the man was indicted for bank fraud and is now in jail.

The CHAIRMAN. You are stating it was now the intent to exclude any evidence or involvement with any member of this committee or anyone else?

Mr. RICHEY. Nobody ever had any intention of pursuing this committee, and I don't think I ever saw any indication, you know, sufficiently strong.

Again, I had not reviewed the evidence. I'd have to go through it. Today as yet I still have not looked at the tapes.

The CHAIRMAN. So you don't know that because you haven't reviewed the evidence?

Mr. RICHEY. With regard to the committee, that's correct. I have not looked at the evidence.

But it was my position to the client, stated about as strongly and politely as I could say it in my May 22 memo, that I thought you should keep away from the committee no matter what kind of crimes may have been committed by the committee, that you should avoid them at all cost.

The CHAIRMAN. Where is that?

Mr. RICHEY. I think that's in the entire tone of what is said here, that the risks of pursuing a Congressman, even if he has been involved in criminal activity, are very great because a Congressman has such power. Certainly that was my verbal statement. I think the memo accurately reflects that tone. That certainly would have been my recommendation to them. [See page 453.]

The CHAIRMAN. I guess I read your memo somewhat differently. Obviously, since it is concluded that I am the involved party here. I would say that first of all, several people have suggested your memo was a cease and desist order, an absolute prohibition. In fact, it is really not that. It is really not that.

Mr. RICHEY. No, sir, it is not. Basically the memo, was look, here is what the problem is. If you think you want to do this, there needs to be further research. If you think you want to do this, there needs to be some substantial policy analysis and determination, and——

That is extremely dangerous. Let us tell you why. Let us give you some examples, and you ought to think this over carefully. Mr. Wellington met with Mr. Black the day after it was delivered and said I don't need any more analysis. This has caught my attention and we are not going to do it, period.

The CHAIRMAN. I find when I read your memo on page 5 and elsewhere, really it appears to be much more of a road map through a sticky thicket here.

Mr. RICHEY. I am sorry. I couldn't hear.

The CHAIRMAN. In fact, you suggest there are problems. Obtaining the necessary evidence to show the "Congressman did more than simply receive documents stolen from Alyeska is an inherently difficult task because you must insure your investigators do not interfere with a congressional investigation. The solution, of course, to that problem, "It is essential, to counteract his self-serving attack on the investigation, that all communications with him be tape-recorded and preserved in evidence."

You claim there is another problem. "Before recording conversations, however, you must determine whether this type of electronic surveillance is legal." Then you give examples in Georgia and in Florida, and go on to say, "Your ability to legally record and intercept conversations with the Congressman will depend on the location of the conversation." These are red flags you are raising, correct?

Mr. RICHEY. And I think it is absolutely clear we try to give quality legal advice.

The CHAIRMAN. This is quality legal advice. If Mr. Black had studied your memo perhaps more carefully, we wouldn't all be here.

Mr. RICHEY. I disagree, because it was clear to me, having been present, having discussed with Mr. Black, having lived through this investigation and actually being there, once this was called to everyone's attention they wanted nothing to do with it. Mr. Black said, thank you for calling this to my attention. I had no idea it was a problem, and if we hadn't come down here we might have stepped in it.

The CHAIRMAN. If we proceed with your memo, you say, "It is our understanding"—the firm's understanding—"that conversations with the Congressman might take place in Washington, DC., Virginia, and Maryland. Recording conversations with one party consent is legal in the District of Columbia and Virginia. It is illegal in Maryland. However, the lawyers in our office are not licensed to practice in Washington, DC., Maryland or Virginia. We believe it is essential to obtain expert opinions on the propriety of

recording and electronic surveillance from attorneys licensed to practice in these jurisdictions. With the authorization of Wayne Black, we have already taken steps to obtain these opinions."

I appreciate your characterization of the memo. You are certainly entitled to it. There is no quarrel there. I just suggest I don't think that memo is a cease and desist order.

Mr. RICHEY. I concur. I don't give clients cease and desist orders.

The CHAIRMAN. You don't, but you gave them a verbal one to stay away.

Mr. RICHEY. First, I think the memo is clear no rational decisionmaker will read that memo and proceed with an investigation against you.

The CHAIRMAN. We haven't had the benefit of information necessary to determine whether Mr. Black was rational or not. So we don't know.

Mr. RICHEY. I suggest to you that I have known him for many years and he is extremely rational.

The CHAIRMAN. Mr. Hermiller, the decision to go to court to file this suit is not a decision that is to be left with Mr. Wellington and others. Is this your decision or the owners' decision or their attorneys' decisions?

Mr. HERMILLER. It would be an Owners Committee decision.

The CHAIRMAN. What happened? This was brought to the Owners Committee?

Mr. HERMILLER. It was brought to the Owners Committee in September 1990. I wanted to proceed with at least civil action against Mr. Hamel and get our documents back. In the meeting, however, that option was not viewed with favor by the owners. I was told to terminate the investigation as quickly as possible. That was on September 25. Then on October 3 at a full Owners Committee meeting, that was further reinforced. We had started to shut the thing down after the September 25 meeting.

The CHAIRMAN. What did you bring to the owners? Where was the owners meeting?

Mr. HERMILLER. The September meeting was in Denver.

The CHAIRMAN. What transpired? The owners sit around a table and you or Mr. Richey presented the case? Who?

Mr. HERMILLER. Mr. Wellington and I and our general counsel, Mr. Smith, were there and we talked to the owners about the investigation, showed them portions of a couple of the videotapes. I think that was about it. The meeting lasted perhaps 2 hours and I was given the instructions that I just relayed to you.

The CHAIRMAN. How did you present the case? What did you present to them?

Mr. HERMILLER. As I said, we talked about the evidence that Mr.—or at least the information we had gathered on Mr. Hamel and knew he was in possession of these documents. As I said, I would like to have pursued civil action at a minimum against Mr. Hamel, but that option was not agreeable to the owners.

The CHAIRMAN. Did you present a videotape to the owners?

Mr. HERMILLER. There were portions, I think, of two videotapes shown to the owners at that time.

The CHAIRMAN. Do we have a copy of those?

Mr. HERMILLER. I will certainly ask our counsel to provide those. I think they are in your possession at this point. I think you have those.

The CHAIRMAN. We do not have those. We have requested those. Those tapes showed what?

Mr. WELLINGTON. Mr. Chairman, let me interrupt. Are you saying you don't have the tapes or do have the tapes?

The CHAIRMAN. My understanding is we do not have that tape that was shown at the owners meeting.

Mr. WELLINGTON. You have all of the tapes made during the investigation that were submitted.

The CHAIRMAN. Did you not make up a tape?

Mr. Wellington. No.

Mr. HERMILLER. There were portions of two tapes shown.

The CHAIRMAN. You showed portions of the tape?

Mr. HERMILLER. Correct.

The CHAIRMAN. What portions did you show?

Mr. HERMILLER. Mr. Chairman, I don't recall what portions were shown, but there were portions of the tape shown where Mr. Hamel made various kinds of statements about Alyeska. This is the same kind of thing that I think ran throughout the content of all the tapes. That is the sort of thing that was shown.

The CHAIRMAN. You don't remember specifically what the subject matter was?

Mr. HERMILLER. I think one of the things that was shown, as I mentioned before, the allegations about corrosion on the vertical support members. The assertions of toxic materials dumping at Valdez. The assertions about corrosion on the pipeline. I don't recall all of the assertions that were made. There were, as I said, several made. There are also some assertions about the Owner Companies on the tapes.

The CHAIRMAN. What was the discussion at the meeting about this committee, its staff or Members, myself included?

Mr. HERMILLER. I don't recall precisely any discussion about you as an individual, as a part of this.

The CHAIRMAN. Mr. Wellington, you were there. Do you recall any?

Mr. WELLINGTON. As I recall, Mr. Chairman, once again, during my presentation, which was rather short, we outlined the scope of the investigation, as we have here. We also—I also briefly indicated that your name had come up, but we had agreed early on in the investigation that we were not going to get involved with any Member of Congress or any of his staff people and that we were going to stay focused on the original intent, and that was to try and determine who was stealing our documents, and take appropriate recourse. That, Mr. Chairman, was the essence of your name being brought up by me at the meeting.

The CHAIRMAN. That was at the outset of the meeting or when?

Mr. WELLINGTON. I wouldn't say that—I wouldn't give it that much credit. I would say somewhere during the course of my presentation your name was mentioned.

The CHAIRMAN. Yes, it apparently was, based on the notes of people who were at the meeting, the attorneys. Along with the

owners, is it a Mr. Bilgore, he is an attorney for ARCO. [See page 609.]

Mr. WELLINGTON. Yes.

The CHAIRMAN. He notes that they had "bad stuff on Miller" and Ray Nye, who he notes was a "Hamel intimate." Notes of Miss Pace—Hamel is intimate with Ray Nye and, I guess, me. Is Pace an attorney? That's an attorney?

Mr. WELLINGTON. Yes.

The CHAIRMAN. With Exxon; is that correct?

Mr. WELLINGTON. Exxon.

The CHAIRMAN. Notes list Miller/Miller's chief of counsel. Notes later in the meeting on who Petrich is; Miller to become Chairman of the Interior Committee, which is background. "To neutralize Hamel we might make contact with Miller, EPA, etc."

The review of this was undertaken by Paul, Hastings; is that correct, Mr. Hermiller?

Mr. HERMILLER. That's correct.

The CHAIRMAN. They asked him to review this whole situation. In their document, I believe Bilgore, the in-house counsel for ARCO, noted that throughout the meeting Alyeska felt it had done well and was proud of its investigatory work. [See page 613.] They hyped up the tapes as containing information exposing Hamel and Petrich, the gentleman to my right, counsel for the committee, "as forming a conspiracy with gross motives. However Bilgore felt the tapes were only ramblings of a person and did not contain the information Alyeska had promised. Bilgore found the tapes disappointing."

That statement was in a series of interviews Paul, Hastings, et al. did with people involved in this after the fact. Apparently all the legal advice to the contrary, it still came up as late as the September 25 owners meeting, and the tapes were still being used as a base to hype the investigation with the owners. Fortunately Mr. Bilgore, I guess, and others were not persuaded—maybe you ought to think about hiring him the next time around—and the owners apparently decided to call off the dogs.

Nobody has told us quite why they decided that, except maybe it was good judgment in this regard. You sat here all afternoon and suggested somehow a firewall was developed between myself, the committee and others during this investigation. Yet we find out, after the firewall was supposedly developed and the person running the investigation was given a verbal don't go near this, stay away from this, that later in further documentation people are surprised to see that we continue to see questions asked by Mr. Black about the committee, Mr. Miller, Mr. Petrich, and others.

So for the last several hours we have listened to this discussion and yet we find out at the crucial moment when the case has to be made to the owners to go forward with the lawsuit or not, this information is now brought forth again.

We will discuss that with the owners, and if necessary, we will discuss that with the author of these notes.

Now maybe they were just musing as we were told earlier today and they just wrote my name down because it came into their head. I don't think that's what these people were paid to do.

Mr. Hermiller.

Mr. HERMILLER. Congressman—Mr. Chairman, throughout this thing clearly there was to be no association with Mr. Black between you or any member of your staff. Hamel said these things on tape. And I do think in this case some of these things are the musings of an attorney, particularly when you talk about a conspiracy, a gross conspiracy—were those the words? I have not seen the document you referred to.

The CHAIRMAN. That's what he said. The tapes were being hyped by, I assume, those presenting them as a means to do this.

Mr. HERMILLER. The objective was a single objective, and that was clear. To get our materials back to go ahead and sue Mr. Hamel.

The CHAIRMAN. I understand that.

Mr. HERMILLER. I don't know if you do. Mr. Chairman, you have made statements during the last 6 weeks, I watched you on *60 Minutes* Sunday night, condemn me and Alyeska as criminals.

The CHAIRMAN. Uh-huh.

Mr. HERMILLER. That is, as far as I am concerned, unjust to do that before we even had a chance to come here today and have you listen to us. We were very scrupulous.

The CHAIRMAN. As opposed to the characterizations of Mr. Hamel that he is an extortionist and so forth by the counsel sitting next to you, who said he only shook his hand yesterday. Yet you have, again, the Paul, Hastings memo and others suggesting they don't see that at all.

Mr. HERMILLER. Congressman, what you said Sunday night on *60 Minutes* went out to how many millions of people in the United States?

The CHAIRMAN. Oh, so it's just a question of how far you broadcast it.

Mr. HERMILLER. No, it is not.

The CHAIRMAN. Let's lay down the gauntlet——

Mr. HERMILLER. You have condemned us before we have gotten here. There is no reason for that. There is no reason for that. We have scrupulously throughout this thing avoided the kind of contacts that you are talking about here.

The CHAIRMAN. Mr. Hermiller, to your credit, I think you have demonstrated to this committee your desire, you, Mr. Hermiller's desire to do that. That doesn't mean that that necessarily was so. You have demonstrated to this committee perhaps that Mr. Richey had the same desire. That doesn't mean it was necessarily so. We also know the reality of what happens even with the best attorney or the best corporate executive. A lot of it depends upon the other party.

We all know that attorneys are constantly surprised by the activities of their clients when they advise their clients not to do something. As Mr. Richey is starting to find out, because you tell your client not to do something, it doesn't mean that that is the case. We find in Government the same situation. Many, many attorneys are burned by their clients. Same thing, defendant is cautioned: lie to your attorney and you go to the chair. In fact, people do lie to their attorneys in capital cases.

Mr. Richey, you have dealt on both sides when you were in the State's attorney's office and elsewhere. I think that is clearly the

case. I don't question your intent, and I think that is why you said earlier to one of the Members I will never do this again. This really wasn't worth the candle. I don't question your intent at that point at all.

But I am questioning this clean firebreak that is established. I have no evidence that you in fact put me under surveillance, but I don't suggest for a moment that that wasn't the intent of some of the people involved in this operation, and I am not sure the fire was extinguished. Yet when we go to the last crucial meeting, tapes are being used apparently to hype Mr. Petrich and others, so this committee is still involved in that process. I don't question your intent.

Mr. WELLINGTON. Mr. Chairman, why would you call us criminals then if you haven't seen any evidence before we ever came here?

The CHAIRMAN. I think I have seen evidence that has only been counteracted by Mr. Richey's opinion of criminal activity undertaken with the surveillance of Mr. Hamel.

Mr. WELLINGTON. By me?

The CHAIRMAN. We differ about that.

Mr. WELLINGTON. By me?

The CHAIRMAN. You are an agent of the company. He is your agent.

Mr. WELLINGTON. No, I'm asking you a question. By me? Have you seen anything that would lead you to believe Pat Wellington committed a criminal act?

The CHAIRMAN. By your agent.

Mr. WELLINGTON. By me?

The CHAIRMAN. No. You have to take responsbility for your agent.

Mr. WELLINGTON. You called me a criminal on TV.

The CHAIRMAN. No, I didn't.

Mr. WELLINGTON. You said Alyeska are criminals.

The CHAIRMAN. And you are Mr. Wellington.

Mr. WELLINGTON. Well, who do I work for?

The CHAIRMAN. Well, the fact is you have to take responsibility for your agents.

Mr. WELLINGTON. I think you prejudged us before we got here today. I think you owe an apology to me and my family for the comment you made without legal proof. Half of the things that were introduced today, if it were in a court of law, wouldn't stand up at all. And you've accused us of being a criminal.

The CHAIRMAN. Mr. Wellington, you sat here all afternoon and also made allegations about other people. We heard the term "extortionist." We've heard the term "stolen."

Mr. WELLINGTON. Who have I made allegations against, Mr. Chairman? I didn't use the word "extortionist," the attorney did.

Mr. RICHEY. Mr. Chairman, may I address that? Let me make a distinction. I was subpoenaed to come here today, and I didn't want to come. I am here against my will. My attorney-client privileged documents I gave in secret have been passed out to the world now. My advice to my client and my relationship with my client have been put in a posture where the entire world knows that I tell my client one thing and they want to do another. I must say this. This

whole situation with the statement to the public where you are not under subpoena, are not forced to do it, is a little like Alice in Wonderland and the Red Queen.

The CHAIRMAN. This is a lot like Alice in Wonderland.

Mr. RICHEY. It says to the jury, first the verdict, then the trial. First the verdict, then the trial. And you made the verdict before you had the trial. You absolutely did.

The CHAIRMAN. As you also have done with your opinions. You made the decisions. Apparently your legal opinions provide you not only defense and prosecution, they define a judicial determination in each and every case.

Mr. RICHEY. I was brought here to give my legal opinions, which you received. I didn't volunteer to come down.

The CHAIRMAN. And I am trying to establish that those are your opinions, not necessarily facts.

Mr. RICHEY. Yes, sir, and I feel very confident in them.

Mr. TAYLOR. Mr. Chairman.

The CHAIRMAN. Mr. Taylor.

Mr. TAYLOR. I don't think it was my turn. I wanted to know how long each of us gets.

The CHAIRMAN. We are going to the next round. Mr. Young.

Mr. TAYLOR. Not that I am not having fun or enjoying this.

Mr. YOUNG. Mr. Richey, I—my good friend from Oregon down there is one of my greatest allies and great supporters. I got this "Somebody's Watching" magazine, *Time,* it says somebody is watching how business, Government and even the folks next door are tracking your secrets. [See page 632.] There has been some question by the committee, how could the phone toll be obtained. This is a direct quote.

"Computers have turned data collection into a $1-billion-a-year industry that gathers financial records, medical history, and other [professional and personal] information—even the record of every credit card purchase. The data is then sold to marketers, mortgage lenders, small businesses and individuals."

That is a direct quote. I just bring that up because this is not a big deal, it has been going on for a long, long time. Unfortunately I get a lot of junk mail, a lot of phone calls, especially right at dinnertime, soliciting me. I don't know in the world where they got my phone number, who they talked to, and they know my background. I don't approve of that. I suggest you read that article.

Mr. DEFAZIO. If the gentleman will yield.

Mr. YOUNG. I'll even hand you the magazine. I get this; I don't know if you do.

Mr. DEFAZIO. I think they send them around for free, Don.

Mr. YOUNG. I subscribe to mine. I pay for mine, it is not a perk.

Mr. DEFAZIO. I think they send them around free. I didn't ask for it, it just shows up in my office.

Mr. YOUNG. If I can make it short, because I want to yield to Mr. Taylor.

Mr. DEFAZIO. I would be happy to co-introduce with the gentleman some reasonable legislation to insure privacy of people in these matters.

Mr. YOUNG. You got it.

Mr. DEFAZIO. In this case it didn't get to the point of and did not mention phone records. We do have the letter from AT&T which says this violates their policy.

Mr. YOUNG. If you read the article it mentions phone numbers.

The CHAIRMAN. Mr. Young, you yield your time to Mr. Taylor.

Mr. MARLENEE. Will the gentleman yield? The moral of the story is don't give anyone your Social Security number or allow your Congressman to do it.

Mr. TAYLOR. I will remember that when the IRS asks for it.

I will return back to some of the basic questions I was pursuing a moment ago. There are a lot of folks here. You can get folks lined up to beat up on big oil companies. I'm troubled. I have been accused of bouncing checks at the Sergeant-at-Arms Bank, I don't even have an account there. I have been accused of not paying my restaurant bills, $500,000 in arrears, I didn't think you could eat there without paying. Back home you couldn't. The only person who at home who thought I wasn't guilty of bouncing a check was my great aunt, she is 101 years old, she said she knew it because I wouldn't put money in an uninsured Yankee bank that paid no interest and was run by the Speaker. She is the only one at home I can go home and talk to.

Now it looks like I am going to be a part of a committee or accused of co-conspiring to accept stolen documents, whatever virtuous motive they were used for.

And let me go back to that question of whether or not Mr. Hamel knew the documents he was receiving or passing were stolen. I would like Mr. Richey, if you would give some of the legal advice everybody else has asked for, I might as well take advantage. In that F2R412110 in the conversation Mr. Black says "how in the hell did this person that got them to you ever get them out of there?"

Mr. HAMEL. "Well, that's what I am nervous about where you are going to have them, because that's what life is all about." That one is sort of vague—this is Mr. Hamel again. "They are in-house documents that came right out of Alyeska, it is because someone is pissed off." Then he goes on to say—Mr. Black I think is quoting Mr. Hamel, and saying "your other lawyer said he didn't ever want to see them," referring to these documents, "because they are hotter than a firecracker."

And then I believe Mr. Hamel says they all sit in the room and say I can't look at them—those documents, and then when I show them the heading of each one, they say whoa. But Mr. Hamel says I would find a way for them to have the benefit and I will say I will figure something out for them to get the content of these documents without having to look at them.

Now in your opinion, does all that describe to you a piece of stolen property or stolen document, or——

Mr. RICHEY. It is additional admissible evidence through his admissions of his state of mind. It is an indication he knows he has stolen material and it is consistent with some of the other things people have read earlier and with other evidence in the case.

Mr. TAYLOR. As we go on in the question of the attorney privilege—client privileged documents, Mr. Hamel says he is in a situation where they are taking off the headers that State attorney-

client privilege—which usually is put on attorney privileged documents, is it not? He says, for example, down below I want to take off—I am just going to cut out this heading that he has referred to there. And he said "I would like to take that"—that is the attorney-privileged headers "out of each page in your system," referring to the computer system where they have been entered.

Then Mr. Black asks the questions, he said yes, I took that one off. Then he asked him about some others and he said then I recopied some of these documents from the beginning—no, OK, I took it off also. Which—then he orders on all the documents, cut them out, each one.

What reason would you have for taking off the attorney-client privileged headers in material, whether it be in the computer or on the files?

Mr. RICHEY. Because you know it is wrong to have those documents.

Mr. TAYLOR. I think it would be very clear that Mr. Hamel recognized, as he said he had, Alyeska property. And you know, as one who remembers Kojak, when you said it is hotter than a firecracker, that is euphemism for stolen, I always thought.

The CHAIRMAN. Kojak and criminal law.

Mr. RICHEY. It is an interpretation the courts will allow the jury to read. In fact, you can sometimes get expert testimony on that. Sometimes it depends on the facts.

Mr. TAYLOR. I would like to ask Mr. Hermiller. It has been said Mr. Hamel has been a source of information for Congress and certain State and Federal agencies. Now what—he provided information, I think, that resulted in an FBI investigation in 1985. What was the result of that investigation?

Mr. HERMILLER. Congressman, I am not familiar with that. I can't speak to it in any——

Mr. TAYLOR. Mr. Wellington is raising his hand.

Mr. WELLINGTON. Yes, sir. The contents of that investigation—and I was somewhat involved in it, was Mr. Hamel—I will be very quick—was alleging that Alyeska was providing oil to him with an exorbitant amount of water in it. He apparently went around and complained to numerous people here in Washington, DC. and eventually the FBI opened up a very extensive case. I believe it lasted for about 6 months, and their conclusion of that case was that there was not substantial evidence to support Mr. Hamel's accusations against Alyeska, and they did not take the case to the U.S. attorney for prosecution.

Mr. TAYLOR. I think there was a complaint in 1988 that went to the Alaska Public Utilities Commission. What was the result of Mr. Hamel's complaint there?

Mr. WELLINGTON. I am not as familiar with that one, sir, as I am with the FBI case, but I understand similarly that an administrative law judge gave a very lengthy opinion, and basically it was decided in her opinion that Alyeska in fact had done nothing wrong, and that Mr. Hamel was in error.

Mr. TAYLOR. I think it was 140-page opinion and said "finding no evidence from Mr. Hamel's claims against Alyeska on water oil content." There was a third one to the EPA I saw in the *Anchorage Times* report that said EPA had closed a 3½-year investigation.

And the newspaper article itself said that Alaska—Alyeska Pipeline Service—EPA formally notified them it plans no further enforcement actions against the company. [See page 640.] What we have been told basically, the problems have been taken care of if there are any, or we were unable to substantiate the allegations. This is from the head of the water permit division of EPA's regional office in Seattle.

The CHAIRMAN. When was that?

Mr. TAYLOR. 1988. I will be glad to share this.

The—up from 1985–88 Mr. Hamel's information just wasn't bearing too much fruit, he was providing to agencies, and I—did you know—did any of these—were any of these tipping you off where he was getting that information, or did that come later when you thought that some of this sort of thing was coming from Mr. Hamel?

Mr. HERMILLER. Congressman, I didn't arrive at Alyeska until June of 1989. Maybe Mr. Wellington can comment on that.

Mr. WELLINGTON. I believe, Congressman, that over a long period of time that Mr. Hamel had bragged publicly he was receiving Alyeska documents. It wasn't just something that started a year or two ago, it has been going on for quite some time.

Mr. DEFAZIO. Mr. Chairman—parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. DEFAZIO. There have been a number from that side. Regarding the documents, are these records that were provided to the committee? The statements about these? Are these in documents provided to the committee previously?

Mr. TAYLOR. These have been passed out an hour or two ago, were they not? Which documents are you referring to?

Mr. DEFAZIO. The ones that substantiate the actions of Mr. Hamel.

Mr. TAYLOR. You are talking about the tapes?

The CHAIRMAN. I think he is referring to the EPA.

Mr. TAYLOR. I was reporting from newspaper records here. I don't know whether you have them or not. I will be glad to share them with you and the chairman. I think the fact of these investigations are part of the great pile of material we have.

Mr. DEFAZIO. If you will state the source.

Mr. TAYLOR. Be glad to share this. This is the *Anchorage Times* I was reporting from. I will pass it over. I don't know how many people read it. I would say it is fairly public.

The CHAIRMAN. We have an agreement here we try to use documents that are of record in the committee so both sides have an opportunity to review the records.

Mr. TAYLOR. Thank you, Mr. Chairman. I would like to make that a part of the record.

Finally, Mr. Richey, there was a question in your statement about Mr. Hamel's activities about his—the possible extortion or things of that nature. You had read, I suppose, F2R412079, the conversation we went over back earlier—I think it has already been passed out to the committee—where Mr. Hamel pretty much points out—and I can quote from him, when they were asked about material, whether or not he would be discovered—about the source for

this material, and after using a few comments he says, no, I think that when they know that it is me that's done this they are going to pay me quicker. Is that one of the sentences you might be relying on to assume?

Mr. RICHEY. That is one of a number, Congressman Taylor. There were a number of sentences and discussions throughout and conversations with Mr. Black. There was some conversation with an Alyeska lawyer out in Washington State also.

Mr. TAYLOR. That is about six pages of documents that sort of leads up to the fact that he certainly wants this pressure brought so that they will pay him quicker in his settlement. I won't read all six pages.

Mr. RICHEY. Absolutely, and the idea that you are utilizing some sort of cover of a just cause to commit extortion is not a defense. A number of years ago in Florida I prosecuted a lawyer who was extorting a local developer, and I charged the lawyer with extortion because he went to the developer and said you are going to hire me as your lawyer and you are going to give me a big retainer and you are going to pay me so much money. If you don't, I will organize protests against your development. I'm going to go to the planning and zoning commission. I will file environmental complaints. I'll go to the county commission, and I will shut you down. He raised all kinds of defenses when we prosecuted him of his first amendment rights and he was a good guy and everything else, but he was convicted and the Supreme Court of Florida sustained that conviction.

Mr. TAYLOR. There was another statement I saw that I couldn't quite understand, F2R411221—I don't think, Mr. Chairman, that has been made a part of the record—it is just one sentence I was looking at, where Mr. Hamel says, "Now here is what you are going to have when I make my peace, if I ever make my peace with them and they pay me. What they are paying me for is not the environment. They are paying me for my water in the oil." I want to ask Mr. Hamel about that.

But it sounds—it—throughout I see a number of those sentences that shows an unusual concern for him to be paid for the wrong he felt had been done to him at some point down the road, and clearly he wanted to bring all the leverage he could in order to force as quick a payment as possible. There are other references here where he talks about when they pay me—in one case I think he was planning, and I probably should cite that—I believe that is F2R411029—I don't believe that has been passed out as part of the record, but he refers that he is going to place someone on this committee's payroll and make them a Member or see that they are made a Member of the committee, and they would come there for $1 and he would pay that person himself. And he refers to when I get my money from Exxon, which is about 3 or 4 weeks from now. I presume he was a little optmistic in the timing, but he thought he would have resources there to cover the salary for someone to come on this committee.

The CHAIRMAN. Can the gentleman tell us again—can he identify what you are reading from? We have been passing out all the documents the Members have been reading from, we don't have them.

Mr. TAYLOR. The last two——

The CHAIRMAN. There are five Members here and you are going to offer us a copy.

Mr. TAYLOR. Earlier they passed out several of these pieces.

The CHAIRMAN. To whom?

Mr. TAYLOR. I think the whole committee.

The CHAIRMAN. We have been passing out all documents.

Mr. TAYLOR. F2R411029, that was the cassette number.

I guess what I am saying is that throughout the reams of this transcript it is hard for me to read them and not get the clear understanding that Mr. Hamel, number one, realized he was receiving stolen documents, that he was passing those same documents on and he didn't want to—whether wanted—whether this committee knew about it is something that we probably have to determine, but he clearly knew himself they were stolen. He also wanted to use his activities as leverage to see that he received some financial settlement from the action he had brought.

Mr. RICHEY. I believe the evidence of that is overwhelming in this record.

The CHAIRMAN. Mr. Taylor, that is your conclusion from the reading.

Mr. TAYLOR. That is my conclusion.

The CHAIRMAN. That is your conclusion, Mr. Richey?

Mr. RICHEY. Yes, sir, and I told the client that long ago.

The CHAIRMAN. Will the gentleman yield?

Mr. TAYLOR. Yes.

The CHAIRMAN. Again referring to the Paul, Hastings review of this, "One of the things discussed at the August 3 meeting was whether Hamel was interested in taking Alyeska's money and dropping his environmental claims. (Wellington noted this never was established in taped conversations.)" [See page 659.] He's not a strong defender.

Mr. RICHEY. Unfortunately, I suppose Mr. Wellington and I never went chapter and verse over that because my request for the transcript preparation and the rest to do with the PROSS memo was never finalized when the investigation concluded. I think that my PROSS memo would have persuaded Mr. Wellington.

The CHAIRMAN. It goes to the question of people forming these opinions and these conclusions.

Mr. TAYLOR. Well, Mr. Chairman, I didn't—I am not absolutely——

The CHAIRMAN. The gentleman has another minute. We'll rotate.

Mr. TAYLOR. Sure. I am just—that last response, I think the comments I have quoted a moment ago, it is hard to interpret when someone says I want them to know I am doing this because they will pay me quicker if they find out I've got all this stuff and I am able to release it, I am doing it. That is about as clear as you can get, but I could be mistaken, I have been before.

Thank you, Mr. Chairman.

The CHAIRMAN. Can the staff identify where this came from just quickly?

Mr. TAYLOR. These, from the minutes?

The CHAIRMAN. What you just read from. This is not a transcript that was offered to us from the subpoena. This has been recreated—retyped—contrary to the agreement here. Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman. Just to clarify the record, although my colleague from Alaska is gone, there is one reference in the story on phones, it says to identify the source of the leak, Cincinnati Bell——

The CHAIRMAN. Let's stipulate *Time* magazine.

Mr. DEFAZIO. The gentleman misread it. Cincinnati Bell, acting in response to a grand jury subpoena, searched the phone records. That's a little bit different than what we are talking about here. There is one other inference that could be perhaps used too, it says some smaller outfits also have a reputation for selling personal data to people who may have no business seeing it. Everyone from private investigators to bill collectors and spurned lovers. I would say that is what we are dealing with here.

Mr. Richey, back to where we left off quite some time ago, the May 22, 1990 memo which has been the subject of considerable discussion. I will try to be brief. Three sections I want to refer to. The first is page 3.

Mr. RICHEY. Sir, can you give me a moment. All this stuff has been passed out, and I've got it all over the place.

Mr. DEFAZIO. The chairman spent a lot of time. May 22, 1990. Attorney-client privileged information, confidential. The one you were concerned about being made public.

Mr. RICHEY. Thank you, where are you?

Mr. DEFAZIO. Page 3, third complete paragraph. [See page 455.] The—after the colon, which is the third line, the third word begins, "does the photocopying of documents and distribution of them to the media and others constitute the crime of theft?" And you go on to discuss that.

Mr. Wellington has made allegations of theft of documents, or assertions I should say, not allegations, assertions of theft of documents. And you go on in the second paragraph to give an opinion on Florida trade secrets law, but you say we have not researched the specific laws of Alaska, Washington, DC., Virginia, Maryland or other jurisdictions.

Two things: One, I find it peculiar, because the whole justification for going forward with the surveillance and theft of documents from Mr. Hamel's home is they were stolen. Yet you don't render an opinion here on whether or not photocopying documents and distribution of them is a crime in Alaska where I assume Alyeska is not headquartered down in Florida. It is one State where it is warm down there and we aren't pumping too much oil.

Can you tell me, did you subsequently research Alaska on this subject and render an opinion to Mr. Black?

Mr. RICHEY. No, sir, I would have done that at the time I did the PROSS memo. I would note that, on the first page, as I noted earlier, very last line, "We believe neither Alyeska nor its agents should approach the Congressmen as part of an undercover operation until these issues have been adequately researched and analyzed." So we contemplated this was done in a very short period of time. We would have liked to have had more facts. We would like to have had more time. But on the basis of the opinion rendered in a short time they took our advice and didn't proceed, any way we understood.

Mr. DEFAZIO. OK. Mr. Wellington, you said documents were stolen. Were they photocopied and distributed or the original documents actually stolen? You said "stolen" very clearly.

Mr. WELLINGTON. I believe all the documents that I saw, sir, were photocopies of original documents.

Mr. DEFAZIO. OK, does the photocopying of documents and distribution of them to the media and others constitute the crime of theft in the State of Alaska?

Mr. WELLINGTON. Yes.

Mr. DEFAZIO. OK, thank you. Mr. Richey, page 6: "We believe"—page 6, top of the page, again, "we believe"—second sentence beginning "we."

"We believe it is essential to obtain expert opinions on the propriety of recording and electronic surveillance"—well, I guess—all right, "recording and electronic surveillance from attorneys licensed to practice in those jurisdictions."

Did you do that?

Mr. RICHEY. I made a telephone inquiry which sustained my view and I discussed with the client getting that in writing, which I would have preferred, and they said they believed that it was sufficient.

Mr. DEFAZIO. OK.

Mr. RICHEY. I believe it is accurate. Our view was accurate. It was sustained in the telephone conversation.

Mr. DEFAZIO. Are you aware of the recordings made when Mr. Hamel was walking about in the park with his cellular telephone?

Mr. RICHEY. No, sir, I am not aware of telephone recordings made when he was walking around the park with a cellular phone.

Mr. DEFAZIO. This is from earlier testimony, he was frequently recorded from a recreational vehicle while walking about the park using a cellular phone, and what means were used? Mr. Wackenhut was not familiar with it. Mr. Black did not discuss it.

Mr. RICHEY. My understanding is that that did not happen, but I have seen no evidence of it, I have seen no indication. You have a bunch of disaffected employees here who have their own personal problems, some of which are pretty severe. I see no indication of that.

Mr. DEFAZIO. I don't know, this allegation of severe personal problems I think is an unwarranted slur on the earlier testimony and——

Mr. RICHEY. Don't those witnesses indicate some of them they were about to be fired or they were having trouble with their supervisor?

Mr. DEFAZIO. A number were handled through what I would consider to be extraordinarily slipshod personnel policies, and given dismissal notices on very short period of time, having to do with objecting to things they consider to be illegal. I guess if you think you can force someone to do something illegal in the workplace and they should say yes, sir or no, sir, then perhaps they were disaffected employees. I consider them to be perhaps more upstanding citizens than the investigators that stayed on staff and your buddy Mr. Black.

Finally, just on the—you know, I guess it is extraordinary to me somehow I am supposed to read this memo and find—again I

search for the assertion that you should not investigate Mr. Miller or Members of Congress. It says "we look"—the final paragraph, page 10, "we look forward to working with you and other Alyeska officials on the sensitive important matter. We look forward to working with Mr. Black . . . *encourage* Alyeska to do an internal investigation *regardless* of whether you decide to proceed with an investigation into allegations concerning Congressmen." I guess I would read the memo one that provided ambiguous advice and/or said more research was required.

Nowhere do I see an assertion you should not go forward regarding the Members of Congress. I mean, there is—it can't be—it can't be inferred. It can't be explicitly read. I suppose if I billed by the hour or by the page, you know, I might write a memo like this. If I was trying to tell someone not to go forward, I would tell them not to go forward.

Mr. RICHEY. I think the advice is crystal clear, and I think Mr. Wellington understood it and he understood it so well he promptly adopted the advice.

Mr. DEFAZIO. It is puzzling at the owners' meeting discussions of Mr. Miller took place.

Mr. RICHEY. I think they would be required in any sort of honest statement to the owners to tell them Mr. Miller's name came up.

Mr. DEFAZIO. It is funny the notes don't show all discussion and/or investigation of Mr. Miller was stopped at the advice of our attorney subsequent to the directive of Mr. Wellington and Mr. Black.

Mr. RICHEY. I am sorry. Is that what it says?

Mr. DEFAZIO. No, it doesn't say that anywhere.

Mr. RICHEY. I don't know what it says. I haven't seen it.

Mr. DEFAZIO. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Richardson.

Mr. RICHARDSON. Thank you, Mr. Chairman. Mr. Wellington, I would like to refer to two memorandums that you have sent Mr. Black, and they are contained in, I believe, documents that you have. These are handwritten memorandums that you sent Wayne Black, Feb. 23, 1990, and it refers to a person by the name of Fredericka Suzann "Riki" Ott. [See page 661.]

Are you familiar with that document?

Mr. WELLINGTON. Can I take a look at it, please?

Mr. RICHARDSON. I believe it is in your packet.

It is number one. Let me just read it to you. You will be receiving it.

Mr. RICHARDSON. It is a memo to Mr. Black from you. "This girl has been a real pain in the—. She is very active in all Alyeska issues. Right now is spending a lot of time in our State capital working the legislative scene. I think she is also receiving inside info from us. Pat." Feb. 23, 1990.

What prompted this memo and what was the result of this memo?

Mr. WELLINGTON. During the course of the investigation, sir, it was evident that Mr. Hamel had associated himself very closely to Ms. Ott, and there was an article, I believe, that accompanies this, and I basically xeroxed the article and sent it down to Wayne for general investigative information; in the event her name came up

during the course of his investigation, that he would be familiar with who the lady was.

Mr. RICHARDSON. Did you ever investigate her?

Mr. WELLINGTON. Did I ever investigate her?

Mr. RICHARDSON. Or anybody associated with Alyeska?

Mr. WELLINGTON. What is your definition of "investigate"? If you have a document you are referring to, sir, if you would let me look at it I will tell you.

Mr. RICHARDSON. The document I am referring to, you have it in front of you. It is from Mr. R.B. Iversen to you and it is background information on Fredericka Suzann "Riki" Ott.

Mr. WELLINGTON. Yes, I am familiar with that document. What would you like to know?

Mr. RICHARDSON. I would like to know the answer to my question—who is Mr. Iversen?

Mr. WELLINGTON. He works for me.

Mr. RICHARDSON. Did he undertake this investigation of Fredericka Suzann "Riki" Ott at your request or is there a memorandum that you keep in your files, or what?

Mr. WELLINGTON. What the request was was to determine whether or not the information that Riki Ott was talking about and the credentials that she said she had, it was strictly a routine review to see if the individual was reported as she indicated she was, with all her degrees and all her expertise. That's all it was.

Mr. RICHARDSON. So what? So what if she is a MA as opposed to BA or Ph.D.? Why would you care to know that?

Mr. WELLINGTON. I did this at the request of our vice-president of engineering, Mr. Henman. He wanted to know, because the individual was appearing at a lot of public hearings, touting a lot of credentials, did she in fact have the credentials she said she had. A logical conclusion—if someone tells me they are a doctor, I think I want to know about it before I go in, look at their certificates on the wall.

Mr. RICHARDSON. Does that give you a right to get information about her private life, her boyfriend?

Mr. WELLINGTON. I don't see anything in here, Mr. Congressman, that would be private.

Mr. RICHARDSON. Well, I urge you to read it. I am not going to——

Mr. WELLINGTON. If you have something you want to be specific with, be specific and I will answer your question.

Mr. RICHARDSON. You want me to be specific?

Mr. WELLINGTON. Sure.

Mr. RICHARDSON. "Met partner at Seattle boat show." She and her boyfriend—" 'Together they own and operate a 27-foot bow picker, the Ambergris.' "

Mr. WELLINGTON. I bet everybody in Cordova knows that. Where she lives. It is a small town.

Mr. RICHARDSON. Why does Wackenhut need to know that?

Mr. WELLINGTON. Need to know what?

Mr. RICHARDSON. Need to know about the boat?

Mr. WELLINGTON. What I provided, again, Mr. Richardson, to Wackenhut was general background, common knowledge information on individuals who reported to have an association with Mr.

Hamel. I would consider this to be a professional investigative lead that needed to be followed. That is all. Nothing sinister. Just a professional investigative lead.

Mr. RICHARDSON. Did they ever follow it?

Mr. WELLINGTON. I don't know. As I recall—and I haven't seen the documents in a long time, sir, I don't recall whether or not Mr. Hamel's name or Ms. Ott's name ever came up in any of the conversations with Mr. Hamel. I wouldn't be surprised if you told me it had.

Mr. RICHARDSON. Let me refer to the memorandum which is also in your packet dated Feb. 23, 1990 from you to Wayne Black. "Letter from Mr. Hamel to Robert Horton," vice-chairman of British Petroleum. Do you have that? [See page 677.]

Mr. WELLINGTON. Yes.

Mr. RICHARDSON. All right. In your handwritten memorandum to Mr. Black you say as follows: "Note his remarks"—referring to Hamel—"about having early information regarding oil spill drill. Pat."

Mr. WELLINGTON. Yes.

Mr. RICHARDSON. What does that mean?

Mr. WELLINGTON. As I recall, and I haven't read the letter for a long time, but as I recall in the letter, Mr. Hamel was indicating that he had received prior notice that there was going to be an oil spill drill from somebody, maybe DEC—I don't know where it came from.

The CHAIRMAN. Did he receive prior notice or the people running the drill receive prior notice?

Mr. WELLINGTON. He must have received notice, or the people did. I don't know. Is there some paragraph in here?

Mr. RICHARDSON. No, my question is this: We are establishing that the purpose of looking into Mr. Hamel was purloined stolen documents; correct?

Mr. WELLINGTON. Yes.

Mr. RICHARDSON. Does that investigation you conducted of Mr. Hamel broaden into much broader issues such as oil spill drill, or are we talking about a wide-ranging investigation of this individual, or we just talking about issues relating to purloined documents? I mean, there is some legitimate—you are familiar with the Whistleblower Act, are you not?

Mr. WELLINGTON. I understand there's a whole bunch of Whistleblower Acts, and they have been explained to me in some detail, yes.

Mr. RICHARDSON. My question is in this memorandum are you suggesting that the investigation of Mr. Black be broadened?

Mr. WELLINGTON. No.

Mr. RICHARDSON. I don't understand "Note his remarks about having early information regarding oil spill drill." [See page 677.]

Mr. WELLINGTON. I think again, trying to point out that there was information that was going to the gentleman. I think a very logical professional investigative lead.

Mr. RICHARDSON. Let me ask you about Trustees for Alaska. That came up also. Some of my colleagues asked you about that, Pat. Are you familiar with the organization?

Mr. WELLINGTON. Generally.

Mr. RICHARDSON. Are you aware this is a law firm that represents clients in litigation?

Mr. WELLINGTON. I found that out recently.

Mr. RICHARDSON. What was the purpose of the surveillance of the Trustees for Alaska?

Mr. WELLINGTON. First of all, I did not authorize that, Mr. Richardson. When I found out about it, I stopped it.

Mr. RICHARDSON. Who authorized it?

Mr. WELLINGTON. I would assume Mr. Black did.

Mr. RICHARDSON. My understanding is it was to uncover the source of a diagram of Alyeska's ballast water treatment plant supporting facilities in Valdez—alleged.

Mr. WELLINGTON. I don't have any general knowledge of that. It is my understanding, Mr. Congressman, that there was a diagram that was released to the local newspaper, handwritten diagram, which I think was some subject of some conversation here which we investigated. Also the fact the documents that were recovered in the impounded vehicle that the burglar was driving around in Anchorage, they were addressed to Mr. Hamel in care of Trustees of Alaska.

Again, I think a logical investigative lead. Here is an individual in Virginia getting back from EPA documents from Alyeska assigned to Trustees for Alaska. When I found out about it, I didn't agree with it. I said don't do it again, period. That's the end of it.

Mr. RICHARDSON. Let me ask you about Price Ahtna.

Mr. WELLINGTON. They are a contractor at Valdez.

Mr. RICHARDSON. It is my understanding that Price Ahtna was identified as a suspect based on the May 23 memo from Wackenhut to you, to Alyeska. Is that correct?

Mr. WELLINGTON. During the research of our internal toll telephone calls, our telephone toll calls, it appears as if two or three calls, maybe four or five, I could be wrong, was going from a Price Ahtna telephone at the Alyeska terminal—they were at that time a general contractor for us—going to, I believe, Mr. Hamel or outside.

That was the sole involvement with our contractor on our property.

Mr. RICHARDSON. They are a Native Corporation, basically, with business ties to you?

Mr. WELLINGTON. Right.

Mr. RICHARDSON. They work for you?

Mr. WELLINGTON. Yes, they do.

Mr. RICHARDSON. So why were they targeted?

Mr. WELLINGTON. Because their phone number, as we made a random check of phone numbers—of known phone numbers, theirs came up.

Mr. RICHARDSON. Were they ever investigated?

Mr. WELLINGTON. Beyond that? No, sir.

Mr. RICHARDSON. Well, there is a declaration of friendship, a friendship treaty of May 19, 1990, between Price Ahtna and Alyeska. [See page 681.] It strikes me as a little odd that they would be targeted. But you are saying it was based on——

Mr. WELLINGTON. Wait a minute, sir. I didn't say they were targeted. I said that we checked on phone calls going from their office

on our property outside. We found a couple that looked suspicious, or maybe four or five. I wouldn't want you or anybody else to leave the room thinking that Price Ahtna, who has a very good relationship with this company of ours, that they were ever a target of the investigation.

The fact that they are a native corporation, they are a very fine one, they do good work for us. They were not a target at any time. And I wouldn't want anybody to get that impression from your conversation with me.

Mr. RICHARDSON. I have one final question to Mr. Richey.

Mr. Richey, I have in front of me a memorandum from Jonathan Goodman to you, August 21, 1990. Do you have that?

Mr. RICHEY. I will see if I can get it.

Mr. RICHARDSON. It is document number 26. [See page 682.]

Mr. RICHEY. Yes, sir, it was just given to me. May I have a moment to see what it is?

Mr. RICHARDSON. Yes.

Mr. RICHEY. Yes, sir.

Mr. RICHARDSON. On page number 3, Mr. Richey, would you explain—I am just a little bit confused here. Let me just read you the last—next to the last paragraph. "Wayne has already made photocopies of the stolen attorney-client documents, which Hamel provided to him. Wayne and his company will be inputting these documents into their litigation support computer system. He is supposed to return these attorney-client documents to Hamel within a few days. According to Wayne, Hamel said that the Congressman does not yet know of the stolen attorney-client documents—but his legislative assistant does know about them. According to Wayne, Hamel claims that a Dept. of Justice attorney may want to review these stolen attorney-client documents. Hamel said the DOJ attorney quickly thumbed through some of those documents when Hamel presented them to him. Please give me your comments about the investigation."

Now, could you place this conversation in the context of the discussion that earlier took place, I believe between the chairman and you, on when did Mr. Hamel know and how much did he know?

Mr. RICHEY. When did Hamel know what? I am sorry.

Mr. RICHARDSON. I just read you what—why don't you explain what this paragraph means. What are we talking about?

Mr. RICHEY. As I understand it, part of what was occurring here is that the ruse to get Hamel to turn over bit by bit the attorney-client privileged documents, we were trying to understand what he had, trying to see if there was some way, by reviewing the documents themselves, to trace them back to a source, and that kind of thing, the ruse used to try to get the company's stolen documents back was that they were going to put it into some sort of computer system in order that it could be further analyzed and studied and made more sense of, because there was so much volume, something like that was sort of the idea.

And the last part of the paragraph is that Wayne is updating Jonathan Goodman that Hamel continues to do what we have asked Wayne to try and avoid having him do that he really can't keep him from, that he continues to talk about various and sundry

people, and again, aside from Hamel saying these things, I don't have any indication that they are true.

Mr. RICHARDSON. So what happened next after that?

Mr. RICHEY. When is this? Let me look at my time sheets. That was the 21st. Apparently Mr. Goodman had dictated a memo on the status of the investigation, which I take it is this memo—and I am reading, sir, from our billing sheets to Alyeska pipeline, and I am taking it chronologically.

Mr. Goodman, the rest of that day, with regard to this matter, called and left a message for Pat Wellington. Had a telephone conference with Pat Wellington regarding his suggestion that counsel begin drafting affidavits. Then a couple of days later, I reviewed a memo, and I had a conference with Wayne Black regarding status. Both reviewing the memo and the conference were 18 minutes, so it was a short memo and a short conference, whatever it was.

That same day, Mr. Goodman read and reviewed investigators' reports regarding undercover meeting. So apparently Goodman and I probably read the same memo. His was two tenths, probably, you know, 10 minutes, 12 minutes to read it, 15, who knows.

On the 27th of 1990, there is a telephone conference with investigator Wayne Black with Goodman. On the 30th there is a telephone conference with Wayne Black, reundercover investigation on possible criminal case. On the 31st, conference with Black, re needs for PROSS memo, prosecution memo, draft memo with Wayne Black. That was with me on the 31st.

So I guess on the 31st is when I sent this letter I mentioned to you earlier, saying, all right, if you want a PROSS memo, I have got to have the tapes right away.

Mr. RICHARDSON. And that's when the tapes were provided?

Mr. RITCHEY. No, what I said in terms of the tapes is, I want the tapes prepared so I can review them.

What is required for them to be prepared for me to review them is transcripts of good quality have to be made. The tapes and the transcripts have to be reviewed jointly by a person participating in the conversation, that means Mr. Black. Mr. Black has to go over every one of those and authenticate it, turn it into what it is that it actually says from the person participating, and certify that to me so it is authenticated to my satisfaction before I even willing to sit down to look at them. That is the way I do it.

The CHAIRMAN. Mr. Marlenee.

Mr. MARLENEE. I thought it would never come. I will be very brief, Mr. Chairman.

Mr. Richey, one of the previous witnesses made a comment about the MITI software. Was fraud committed when Black obtained that software?

Mr. RICHEY. No, sir, there was not. What was occurring there was, at the time that that occurred, Mr. Hamel had indicated he had some sort of ownership interest, partial at least or some sort of ownership interest in MITI to Mr. Black. And in addition to that, he had indicated that some of the documents, the attorney-client privileged documents, stolen documents, had been placed into the database of MITI, and there had been some conversation that Mr. Hamel had a modem and MITI had a modem and MITI is over in

Washington, and Hamel is over in Virginia, and they would use wires back and forth to transfer this information.

That was to be pursued and investigated to find out if that could be confirmed. But that was what was in Mr. Black's mind at the time he struck his deals with MITI, and when we had a meeting, it is reflected some of the notes we discussed, in fact, making MITI a defendant in the litigation, because if, in fact, it had been true—and I don't know the final results of the investigation—but if the initial information from Mr. Hamel was correct and MITI was doing the things Hamel said it was, then MITI would have been a defendant on a wire fraud count.

Mr. MARLENEE. Thank you, Mr. Richey.

Time after time, the liberals of this Congress have made it easier and easier for companies like Wackenhut and other investigative firms, banks, credit bureaus, credit unions, you name it, to obtain our social security numbers. I made that statement previously, somewhat in jest, but with tongue in cheek, that this Congress has abused our privacy as citizens by allowing various uses of the social security number, that originally was supposed to be a very personal and confidential number. Now, all of a sudden, Members of Congress have become very hypersensitive.

I would ask the question, have we become a body beyond question, beyond investigation, beyond evaluation, an imperial court, if you will? If, in fact, an individual, an organization, a corporation, or any entity, for that matter, is being opposed by a Congressman or a Senator, or there is reason to suspect that they are opposing and are trying to stop a project or opposing some effort, does that citizen have the right to evaluate, investigate, or even question the Congressman's position and his motives?

If researching, doing opposition research were a crime, every political candidate in the United States would be in jail, and yes, the Congressmen themselves, virtually every one of them would have violated laws.

Mr. Richey, I have never been an attorney, and I don't ever hope to be. I am just a commonsense guy from off the farm in northeastern Montana. But being an exception, I have been in that private sector, gotten involved in business, and I have hired lots of legal counsel time and time and time again.

I am guilty of paying you people too much money for your advice.

Mr. RICHEY. I object, Congressman.

Mr. MARLENEE. We do pay for your advice, and it would be very foolish for me to ignore that advice. And it would be very presumptuous of you to presume to tell me what I should or shouldn't do. I hire you to lay out the parameters of where we are at, and that is a business, personal decision that I have to make on the evaluation that you lay before me.

It would have been very foolish indeed, and I think that everyone who read that memorandum could assume, if they had any common sense and business sense, that it would have been very foolish of your client to ignore those red flags that you wave that said this could be construed as interfering with a congressional investigation, an obstruction of trying to get to the facts.

But if, in fact, it were simply a matter of trying to evaluate what your opponent was doing and where the information was coming from, that is an entirely different matter. And I think that partially, that is the crux of what we are trying to get at here today, if I am not—at least in the testimony that I have seen.

My esteemed chairman, I do not question his motives in having the investigation, but let me say that there are some dark horses in the background, and I hope that this clears it up.

And I yield back the balance of my time.

The CHAIRMAN. A couple of points here. Excuse me.

Mr. VENTO. I was just going to ask a couple of questions, Mr. Chairman.

The CHAIRMAN. Here we go. Hold on to your horses, gentlemen.

Mr. VENTO. I will just be very brief, Mr. Chairman. If I can get some answers, I think I can be very brief.

The CHAIRMAN. That is a threat. You don't know Mr. Vento.

Mr. VENTO. Mr. Hermiller, did you report these activities or these missing documents as criminal activities to the law enforcement officials in Alaska or other places?

Mr. HERMILLER. No, we did not.

Mr. VENTO. Why not?

Mr. HERMILLER. I wish, as I have said before, I wish we had, but we didn't.

Mr. VENTO. I haven't read all of this, so maybe this is something that has been repeated before, because, you know, in reading this document, Mr. Richey's famous document here, it looks like about 10 pages, I read it all very carefully, 10 pages exactly, and I guess you can look at this as either a glass of water half full or half empty. [See page 453.]

The way I look at this, it looks like a blueprint of how to proceed. I notice that it talks about Mr. Miller being an attorney, it talks about how you have to proceed, you have to walk a narrow line, how to be involved in terms of it. That is how I read it. It is a blueprint, with benchmarks as to what you have to do in order to satisfy the law, and that is how I read it.

Now, someone else may read it as saying, Don't go into this at all, don't do it.

Mr. Richey, how long have you been employed in this particular task? Are you on retainer for Alyeska and The Wackenhut Company?

Mr. RICHEY. Mr. Vento, I have never represented Alyeska before or Wackenhut before.

Mr. VENTO. Are you still employed by them at this point?

Mr. RICHEY. Every time something new happens in this case and I am dragged in, they pay for my time and expenses, but my involvement with this matter was terminated basically at the time the investigation was closed down.

Mr. VENTO. So you are still on retainer concerning this particular issue?

Mr. RICHEY. I have never been on retainer. I have always charged them by the hour for whatever it is of my time that they take, which is a standard way of doing this.

Mr. VENTO. So this relationship began in—relationship began——

Mr. RICHEY. On May 17, 1990, when Mr. Black telephoned me.

May I comment, sir, about whether that is a blueprint and what could have happened?

Mr. VENTO. When I ask you some questions, you can. I just want to be very brief about it.

I think we can sit and debate that, I suppose, for some time, in terms of legal ramifications, but I think that it is—you know, I tried to read it very carefully, and read it both ways, to see if I was really missing something in terms of this, and, you know, I really don't see how it could be read any other way but how to lay down the procedure to make whatever effort you make successful as a consequence, whether the subject was George Miller or the subject was somebody else.

Do you want to comment on that, Mr. Richey?

Mr. RICHEY. Sure. When we do a legal memorandum for a client and they are asking our advice about what is involved, we try to cover all the bases. We try to say good points, bad points, hypotheticals up, hypotheticals down. We go all the way around the circle. That is our job. We provide quality legal services. And if we had wanted to write a blueprint for what to do, I know how to write a blueprint for how to conduct an investigation.

And in addition, Mr. Vento, I would note that if the goal here had been to investigate the Congressman and we wanted to do it, Mr. Black is phenomenally capable and very creative, and I believe that the Congressman's staff and the Congressman would have been in Mr. Black's clutches in a manner of days. And he decided not to do it and didn't do it.

Mr. VENTO. That is a comforting feeling.

Mr. RICHEY. He is one of the finest investigators I have ever seen. He's very creative, very capable.

Mr. VENTO. I am just suggesting that as I look at it, it didn't seem to—I didn't read the same sort of firewalls or whatever admonition was given verbally. All I know is what is here in black and white and what you have said basically at the hearing. I haven't had the time to review this in detail, but it talks about—it talks about what buttons you have to push, where the land mines are in terms of legality of it. So I will leave it at that.

Now, this was received, of course, by Mr. Wellington and Mr. Hermiller, I guess, and others, and I guess the question is really, how did they interpret it. They probably have answered that a number of times.

So I will just yield back the balance of my time.

Mr. HERMILLER. Congressman, I never saw the opinion letter, but I would like to repeat, I don't care what the opinion letter said regarding the investigation of Congressman Miller. We were not going to do it. We were not going to participate in that kind of activity.

The best evidence I can give you that the chairman was never the subject, is my recommendation to the Owners Committee that we go ahead and sue Mr. Hamel. I was certainly not concerned about this information, the documents that were generated, being made public.

Mr. VENTO. In any case, I think the ball was up on the tee here as far as I can see, and maybe if someone decided to proceed, this was the method they had to proceed in order to do it legally.

Mr. VENTO. Mr. Wellington——

Mr. WELLINGTON. I received that memorandum and I flew to San Francisco and met with Mr. Black and Mr. Bernstein at The Wackenhut Company. I didn't want to handle it over the telephone, because I wanted to handle it with them face to face, that we are not investigating anybody from Congress or any other staff people, and I am here to tell you that. And I understand what the memo says, and that is fine, we paid a lot of money for it, but I am here to tell you what our company policy is, and that is what I told him in no uncertain terms, got on the airplane and went back home.

Mr. VENTO. We appreciate your testimony and your advice on that.

I might say, being investigated and being scrutinized kind of comes with the territory around here, as you can see from my colleague behind me talking about that. But I think obviously the extraordinary nature of this does deal with special responsibilities that we have. But nevertheless, as I said, I think it can be read certainly both ways.

But I will yield back my time at this time, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Wellington, did you during the course of this investigation ever ask Mr. Black to ask any questions of Mr. Hamel?

Mr. WELLINGTON. Ask any questions of Mr. Hamel?

The CHAIRMAN. Any specific questions of Mr. Hamel?

Mr. WELLINGTON. Yes, I think I asked him if through his interviews with Mr. Hamel, if he could find out who was stealing our documents.

The CHAIRMAN. That would be the only question you asked him when you asked about this time?

Mr. WELLINGTON. I don't recall any others. Probably, you know, you are talking about something happening a year ago. I wouldn't be a bit surprised that maybe there was other things that we talked about. But again, I want to make it very plain, Mr. Chairman, we focused our investigation on the theft of our property and the recovery of it in order to prepare for civil suits.

The CHAIRMAN. I understand.

During the surveillance, Mr. Hamel talks about Exxon sea captains and what may or may not be going on on the Exxon ships with respect to dumping of ballast waters and so forth. Did you ever discuss that with Mr. Black?

Mr. WELLINGTON. Yes.

The CHAIRMAN. Did you ask Mr. Black to ask any questions about that?

Mr. WELLINGTON. Basically, Mr. Chairman, my instructions to Mr. Black was that we wanted to stay as far away from activities as we could, but if he had specifics, specific information, then to go ahead and take that.

I am not the investigator for all seven owner companies. My responsibility is with Alyeska. If you looked at the tapes, Mr. Chairman, you find Mr. Black says, Good morning, Hamel talks for 3 hours, and Mr. Black says, Goodnight. That is about the extent.

Now, there is a few questions in there and there is a few comments.

The CHAIRMAN. That is your characterization of the tape. On some of the tapes there are very specific questions about ongoing activities by Exxon and others.

I am asking you whether or not you asked Mr. Black to ask any specific questions with regard to that.

Mr. WELLINGTON. With regard to what? The Exxon Valdez?

The CHAIRMAN. No, to the points that were being raised in the tapes with respect to Exxon captains and activities aboard those ships.

Mr. WELLINGTON. I think my response to that would be to Mr. Black, that if he has hard evidence, if there is something he can bring forth, go ahead. But again, our focus is this. Mr. Hamel is a very, very difficult individual to follow. He is very proud of his associations with a lot of people and doesn't mind talking about them. On an airplane with a woman he barely met he starts talking about our private company business.

The CHAIRMAN. Did you ever communicate with anyone at Exxon about anything you learned on these tapes and during this surveillance?

Mr. WELLINGTON. No, sir.

The CHAIRMAN. No one at Exxon?

Mr. WELLINGTON. No one in any of the Owner Companies, including their security people.

The CHAIRMAN. All right.

So there was no discussion about the Department of Justice or questions to be asked about the Department of Justice by you of Mr. Black, Mr. Hamel?

Mr. WELLINGTON. Again, you obviously are referring to something that I don't have in front of me——

The CHAIRMAN. No, I am just referring to a question. It is my question.

Mr. WELLINGTON. There was, I believe, Mr. Chairman, there was a discussion concerning the referred to *Scottish Eye* legal document that Mr. Hamel supposedly had showed that to Department of Justice attorneys who were involved in litigation against Alyeska and Exxon, and they said, We don't want to look at it, or something to that effect. That was the conversation, as I recall it.

He apparently had taken it to the Department of Justice and they didn't want to look at it, and they shouldn't have, because it was a privileged legal document.

The CHAIRMAN. In the Paul, Hastings memo, there is the recitation that you told them in the interview that you knew that Exxon was not going to be the subject of a grand jury investigation of Alyeska, from sources that you had. Who were those sources?

Mr. WELLINGTON. What was that comment again?

The CHAIRMAN. That during the interview with the Paul, Hastings firm that was doing the overall discussion of this activity, that you told them that——

Mr. WELLINGTON. Do you have a specific reference that I could——

The CHAIRMAN. Yes, I do. On the J. Patrick Wellington interview, this is page 8 of the Paul, Hastings memo that was given out,

at the bottom. [See page 650.] It says, "Wellington did not believe that there were any specific investigations of Alyeska made or pending during the time period of the Wackenhut investigation. He said the information was that the Department of Justice and the Federal grand jury were not looking at Alyeska during the period from March to September 1990. He said that, in fact, his 'sources' told him that Alyeska was not the target of a grand jury investigation in the oil spill."

Mr. WELLINGTON. And your question is?

The CHAIRMAN. Who were your sources when you were talking about a grand jury investigation?

Mr. WELLINGTON. As I recall, when I talked to Paul, Hastings back in November of last year—and I have never, except for about 2 days ago, have I ever seen this particular document, and I have never had an opportunity to authenticate it. I believe that a more correct analogy was that I was aware from general conversation in Alaska that Alyeska, I believe, at the State level, the grand jury was not going to be—the grand jury was not going to be convened to investigate us. I don't think there was a State grand jury going on at that time.

The CHAIRMAN. So this statement is inaccurate? Was this a Federal grand jury with respect to the oil spill.

Mr. WELLINGTON. As I recall, I think it was a State grand jury. If there was going to be a State grand jury.

The CHAIRMAN. So are you saying this is inaccurate?

Mr. WELLINGTON. What I am saying is that, as I recall, I was told that there was not a State grand jury convened to investigate Alyeska. That much I recall telling him.

Mr. RICHEY. Mr. Miller, could I comment, Chairman Miller, please, for a moment, on the accuracy of these Paul, Hastings, Janofsky interviews?

I would like to use my own as an example. They came up and interviewed me in my office several miles away from the Wackenhut office, on the 31st floor of the Southeast Financial Building, and the lady who did this didn't even know where she was. She indicated she interviewed me out at Wackenhut's offices.

Apparently these things were typed up some 6 weeks after the actual interviews occurred, and they were never sent back to any of us to say, Did you misspeak or did I misunderstand or is there an ambiguity here.

And when I went through the Paul, Hastings material this past week, I was just stunned with what they said, because it is highly inaccurate, and the legal analysis in the final memorandum was totally deficient.

The CHAIRMAN. That is fine. Peter James, in notes provided to the committee, says that he is the LA attorney, I believe?

Mr. RICHEY. Yes.

The CHAIRMAN. He says, "We want to establish that Hamel has been providing work product to the Department of Justice."

Why would that be the case? Why would it be so important to establish that with respect to the Department of Justice?

Mr. RICHEY. I don't remember that ever coming up in any way. He may have had discussions with other persons about it. It is the first time I have ever heard of it.

You would have to have Mr. James, one, if he said that, and if so, what the context was. I am not aware of it.

The CHAIRMAN. Mr. Hermiller, do you know why that was being said?

Mr. HERMILLER. I think that it would disqualify or prejudice further prosecution by the Justice Department of Alyeska.

The CHAIRMAN. Of the oil spill?

Mr. HERMILLER. I think that is the context.

The CHAIRMAN. Or of the settlement?

Mr. HERMILLER. I don't recall, but I think my general counsel at the time expressed to me some concern about that. He expressed it in that way, that somehow this would prejudice future DOJ actions. I guess my only reaction to that was, I had some concern about whether this was something that we needed to reveal.

The CHAIRMAN. Fairly serious ramification, isn't it?

Mr. HERMILLER. I am not a lawyer. I guess at the end of the day, the consensus was that it was not, but certainly my general counsel——

The CHAIRMAN. The largest oil company in the world is before the Justice Department; you have ongoing information being received about this committee, about allegations, about documents; Mr. Hamel has a fairly substantial and accurate track record of providing information to the EPA, to clean water and clean air, to this committee, to the Senate committee, to others; and now all of a sudden the question is whether or not this investigation may be used to prejudice the Department of Justice investigation somehow. That is the Big Leagues, as they say.

Mr. HERMILLER. That is what my general counsel indicated to me. He felt—first of all, he couldn't believe that anybody in the Department of Justice would look at this stuff.

The CHAIRMAN. Why not? The people at EPA did, and you ended up changing your ballast water system and your clean air system, and spent $900 million on the pipeline. You told this committee you had no problem.

Mr. HERMILLER. I think the distinction there is there are documents and there are documents. Documents that you referred to here, Mr. Chairman, I think are, as I characterized them, operating documents or operating information. I don't even know that those were turned over to the EPA and in any way resulted in the kinds of expenditures you are talking about. Certainly they were not $900 million.

The CHAIRMAN. What are you spending on the pipeline to fix corrosion?

Mr. HERMILLER. I am talking about things that Mr. Hamel, you said, brought to the EPA. Mr. Hamel did not bring the corrosion issue. We brought—Alyeska brought the corrosion issue to the attention of the regulators, and could not even get anybody in 1988 to—or certainly in the spring of 1989, or late 1988, there was not any interest in it.

As I have testified before, it was after the *Exxon Valdez* spill that the interest in the corrosion on the pipeline was made much more acute.

The CHAIRMAN. Yes, because that goes to the question of who was operating the system and how they were operating it, because

what the *Exxon Valdez* spill showed was in fact the system wasn't in place. That is why you were brought on board, Mr. Hermiller, because in fact it did not exist at that point.

Mr. HERMILLER. All I am saying, Mr. Chairman, is that we had developed the technology to detect corrosion. I think we still are on the leading edge of that technology. Detecting corrosion in large diameter pipelines, to within 10 percent of wall loss, this is the best technology in the world, and it wasn't until we got some of that in place that we really——

The CHAIRMAN. I understand that. That doesn't go to this.

A lot of opinions have been bandied around here about whether or not this was all engaging in extortion or not, and back and forth. Then this question starts to be raised, that this surveillance now has something to do with the Department of Justice investigation.

Mr. HERMILLER. No, I don't think that is true at all. It was a comment that Mr. Hamel made. And as I say, I think we were all—we could not believe, much as I said before, I can't believe that this committee would accept attorney-client privileged documents. I can't believe that the DOJ would accept them, either.

The CHAIRMAN. You raised that point. Let me ask you a question.

I have a document here to Pat Wellington from Rick Lund and Gary Krep. Neither one of them is an attorney. Mr. Lund is not an attorney, and Mr. Krep is not an attorney. At the bottom of this document it says, "THIS DOCUMENT IS ATTORNEY-CLIENT PRIVILEGE." [See page 483.]

Mr. HERMILLER. I am not familiar with that.

The CHAIRMAN. You have neither an attorney nor a client here. I am just pointing out that a lot of discussion has been going on here about attorney-client privilege and the fall of Western Civilization if attorney-client privilege isn't maintained.

This is sort of like doctors giving you the extra x-ray. The fact is, as we all know, almost everything now attorneys do, whether or not they are going to look at it, is going to be labeled attorney-client privilege, even when it is not. They assume it is going to provide some kind of protection.

So, you know, just to keep going on about the attorney-client privilege doesn't necessarily make it so.

Mr. MARLENEE. Will the chairman yield? I am no attorney, as I have stated before.

The CHAIRMAN. Apparently nobody in this room is an attorney.

Mr. MARLENEE. I have people in Montana who I am representing to the Social Security Administration.

The CHAIRMAN. Oh, my God.

Mr. MARLENEE. I don't have a client relationship with those people.

The CHAIRMAN. It is called——

Mr. MARLENEE. I don't want that stuff revealed.

The CHAIRMAN. It is called attorney-client. It is not, I am acting as an attorney or I am playing attorney. It is attorney-client.

I also find it interesting, again, when we get down to the discussion of Mr. Hamel and the transcripts, people who have yet to see the tapes have now made conclusions. Mr. Wellington may be

closer to the truth on those conclusions. But we have now Mr. Black in his wrap-up memo, after October 5, he says, "Now my dilemma, I have come to know and understand Hamel. He has convinced himself that he is a saviour of Alyeska," maybe Alaska, I doubt if he is a saviour of Alyeska, "and possibly the planet in the fight against pollution and all that is wrong with big oil. He is in his own right a folk hero in Alaska. Even if he receives his $18 million settlement from Exxon, he still will have his source and funnel information to EPA, the media and everyone else who will listen for as long as he, Hamel, lives." [See page 687.]

So again, you have drawn these conclusions about extortion. This was a man who was in the room to get him to do such things, and that is not what is driving this man.

Mr. RICHEY. I disagree. That is not inconsistent. He is trying to use this to get his $18 million, and if he is going to continue or not continue it doesn't change the fact that he is using these unlawful methods trying to extort money.

The CHAIRMAN. I am suggesting it is not the driving force.

Mr. RITCHEY. It doesn't matter if he has multiple forces. Part of his force is to use these means.

The CHAIRMAN. That is gross——

Mr. RICHEY. We are all getting to the point where it is 6:30 in the evening. We have been here a long time. If he has multiple motives, I would note if his motive is to use these means to drag $18 million out of these people, that is highly improper.

The CHAIRMAN. Was there ever a question in either of you gentlemen's mind that Mr. Hamel was in fact a source to the EPA, to the Senate, to the House? Did you know he was providing information to committees?

Mr. HERMILLER. No. Certainly, Mr. Hamel had publicly stated he provided information to regulatory——

The CHAIRMAN. He is on the front page of the paper, 1988, telling you guys. [See page 640.] He is writing you letters and telling you.

Mr. HERMILLER. Mr. Chairman, my experience with Hamel—by the way, I never heard of Hamel either until I came to Alaska, and I am sorry I never heard of you until I came to Alaska, but I found out quickly who both of you were. But prior to 1989, I don't know what Hamel's activities had been. I know he had provided material, as I say, to various regulatory groups.

The CHAIRMAN. Mr. Wellington, did you know Mr. Hamel was a source to congressional offices, committees, or Congress, the EPA, to others?

Mr. WELLINGTON. Only what he said.

The CHAIRMAN. Only what he said?

Mr. WELLINGTON. Only what he said.

The CHAIRMAN. What was your conclusion?

Mr. WELLINGTON. Well, he said it on tape, and——

The CHAIRMAN. On which tape? These tapes?

Mr. WELLINGTON. Yes. And that he had provided information to various agencies. He said it in the paper. And I took it for face value.

The CHAIRMAN. He said it in correspondence to people at Alyeska. Aren't there letters written where he tells you flat out that he has gotten information from the company, that there is a

question of bypassing pump stations or stations where you measure the output or the outflow and who is going to pay and all those kinds of things?

Mr. HERMILLER. I am not familiar with those. They may exist, but I am just not familiar with any written communication from Mr. Hamel.

The CHAIRMAN. Mr. Richey.

Mr. RICHEY. Let me draw your attention to—the purpose here was to identify our leaks, was what the whole thing started out with.

The CHAIRMAN. I draw that distinction.

Mr. RICHEY. And you know Hamel wound up being in the middle of this, and in order to get those documents back, that was to be the civil lawsuit, it was to get the documents back, which were attorney-client privileged.

I had never heard of Mr. Hamel before, I didn't know anything of him and any agencies whatsoever until this investigation started.

The CHAIRMAN. You've been asked several times, Mr. Hermiller. I have just got a couple of questions left. I look at the file that Alyeska Pipeline kept on Mr. Hamel, letters and correspondence to Mr. Thomas at EPA, to the newspapers, to law reporters, to Congressman Dingell, to Congressman Studds, on and on and on. This was pulled by your files. [See page 690.] And then I think some things you pulled in response to correspondence by him and so forth.

Why didn't you go to the district attorney? Why didn't you go to the attorney general?

Mr. HERMILLER. Mr. Chairman, this—I am not even familiar with this file. To the best of my recollection, I have never seen this.

And as I have said before, the question of why we didn't go to authorities sooner, I have already indicated to you, I wish we had. And believe me, if I am involved in one of these again, which I am not planning to be, that certainly is where we would go with it.

The CHAIRMAN. You had the handwriting sample of Mr. Scott at the outset. Your analyst said it looks like this guy did the documents. You have the statements of Mr. Hamel in the press and elsewhere. You have the statements in correspondence. Why didn't you go to court?

Mr. HERMILLER. We should have. We should have gone to the authorities early on in this thing.

The CHAIRMAN. As we know, if you were trying to break the bonds between this committee and Mr. Hamel, or the Merchant Marine Committee or Senator Johnson's committee or somebody else, you don't have to sue B to get B. Sometimes you can sue A and get B. If you were trying to taint Mr. Hamel to stop people sending him documents——

Mr. HERMILLER. Believe me, there was never any intent on our part to break these bonds you are talking about.

The CHAIRMAN. No, no. I'm just saying, I don't understand how this thing got to this point.

Mr. HERMILLER. It was a concern of mine, obviously, that Mr. Hamel had these documents, but it was not so much what he was doing with them.

We were trying to work our way back to where those documents were getting out of Alyeska. That was the objective of this thing.

The CHAIRMAN. Let me ask you one final question. Why did the owners call this off? What did they tell you? You run Alyeska for them. Correct?

Mr. HERMILLER. That's correct. As I mentioned, in the September meeting, they wanted the investigation shut down. Mr. Wellington and I had already agreed that as far as we were concerned, there was nothing more we were going to learn.

I recommended, wanted, to proceed with civil litigation. The owners did not want to do that. They wanted it shut down.

I think that their concern was that here was, as I have said before, a big company conducting an investigation, creating kind of a police force to go out and police a private citizen. They found that unacceptable, and wanted the operation terminated.

The CHAIRMAN. Mr. Wellington, let me ask you a question. I believe it was during January, it may have started a little bit somewhat earlier than that——

Mr. WELLINGTON. What year?

The CHAIRMAN. 1991. When we had the discussions about the GAO audit of the TAPS security. [See page 707.]

Mr. WELLINGTON. In your office? Yes, yes, I remember that very well.

The CHAIRMAN. Was this surveillance discussed before you came down to that meeting, by your parties?

Mr. WELLINGTON. I think you have the record there. We visit with you—we met with the Owners, I believe, in September, is that correct?

The CHAIRMAN. I don't have the record here.

Mr. WELLINGTON. We met with the owners I believe in September, in Denver, and then that would have been September 1990, and then I met with you along with several other Alyeska people in January 1991, concerning your request for the GAO to do a security audit of the pipeline, yes, sir. And your question was——

The CHAIRMAN. The question was, did you discuss this surveillance with your parties before you came into that meeting or around that issue of the GAO audit?

Mr. WELLINGTON. Surveillance of what——

The CHAIRMAN. The ongoing surveillance, was that discussed at the time that you were then——

Mr. WELLINGTON. I think if you will recall from the record, Mr. Chairman, I testified that the surveillance was—the investigation was terminated on September 1990. I met with you in January of 1991.

The CHAIRMAN. I understand that.

Mr. WELLINGTON. There was no investigation.

The CHAIRMAN. So the question of whether or not the GAO would trip across this investigation was not of concern to you?

Mr. WELLINGTON. I never even thought about it, to be honest with you. I never even thought about it. No.

The CHAIRMAN. Did anybody else think about that when you were asking to redesign the GAO investigation?

Mr. WELLINGTON. Never a discussion with anybody along that line, period.

The CHAIRMAN. All right. Thank you very much for your testimony.

As with the other panels, the committee will reserve the right to——

Mr. MARLENEE. Mr. Chairman, I have one question.

Mr. YOUNG. You are going to make an enemy out of Mr. Young, and he is not an attorney, either. You can't make an enemy out of an attorney because someday he might represent you. But, go ahead.

Mr. MARLENEE. I address this to Mr. Richey. As an attorney, is——

The CHAIRMAN. Wait, who is the attorney here, we have to establish the privilege.

Mr. MARLENEE. Counsel, I will call him counsel. I am hurrying, Mr. Young, esteemed colleague.

Mr. Richey, is this investigation compromising your ability to go to court to obtain relief for your client?

Mr. RICHEY. I would think a situation like this, where everything that you have had from the beginning—yes, sir, and that a situation like this where every communication with the client back and forth from the beginning of time to the present, between the lawyers and the clients, that you compromise the client's legal position, absolutely, yes, sir.

Mr. MARLENEE. Thank you.

I thank the chairman for yielding.

The CHAIRMAN. Whoa, it is not that easy in the land of the law. You had already made a decision, the owners had made a decision you weren't going to go to court.

Mr. RICHEY. I understand that is correct.

The CHAIRMAN. Who is your client?

Mr. RICHEY. Alyeska.

The CHAIRMAN. Alyeska. They are bound by the decision of the Owners Committee, as I understand it.

Mr. RITCHEY. I have no idea.

The CHAIRMAN. It is important to know.

You just answered that this investigation compromises your right to go to court on behalf of your client.

Mr. RICHEY. The statute of limitations has not run. If they change their mind—as I understand it, one of the bases of not doing this was that they didn't want to embarrass you. The statute has not run. All of this is out now. If they want to change their mind, they are compromised.

The CHAIRMAN. This may help them go to court. Just a joke, just a joke. I wanted to see if you were listening.

Thank you very much. It has been a long day. We appreciate your help.

Tomorrow the committee will reconvene in the House Interior Committee room at 9:45.

[Whereupon, at 6:35 p.m., the committee was adjourned, to reconvene at 9:45 a.m., on Wednesday, November 6, 1991.]

ALYESKA PIPELINE SERVICE COMPANY COVERT OPERATION

WEDNESDAY, NOVEMBER 6, 1991

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, DC.

The committee met at 9:50 a.m. in room 1324 of the Longworth House Office Building, the Hon. George Miller (chairman of the committee) presiding.

The CHAIRMAN. My understanding is that the Minority Members are on their way. I think we should go ahead and start to take your testimony.

We have kept you gentlemen waiting now longer than any of us had expected. It is sort of like in college. There was an unwritten rule, was there not, that if the professor did not show up in 10 or 20 minutes, you could leave? I always left in 10 minutes. I think the rule was 20 minutes. You have been waiting a long time to testify, and I think we will go ahead.

The committee will reconvene for the purposes of continuing our oversight hearings on the Alyeska Pipeline Service Company covert operation.

The first witnesses that we will hear from are in a panel: Mr. Fred Garibaldi from British Petroleum America, former chairman, Owners Committee of the Trans-Alaska Pipeline System; Mr. Darrell G. Warner, president of the Exxon Pipeline Company; and Mr. William C. Rusnack, president of the ARCO Transportation Company.

Gentlemen, welcome to the committee.

It is the practice of this committee to swear all witnesses who appear before it at investigative hearings. Do you have any objections to being sworn?

Mr. GARIBALDI. No, sir.

Mr. WARNER. No, sir.

Mr. RUSNACK. No, sir.

The CHAIRMAN. Please stand and raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give is the truth, the whole truth, and nothing but the truth?

Mr. GARIBALDI. I do.

Mr. WARNER. I do.

Mr. RUSNACK. I do.

[Witnesses sworn.]

The CHAIRMAN. Thank you.

In order to inform you of your rights as a witness before the committee and the limitations on the authority of the committee, the Rules of the House of Representatives and the committee are on the table in front of you. Both sets of the Rules have previously been provided to you.

You are advised of your right to counsel. The role of counsel would be to advise you of your constitutional rights.

Do you desire to be represented by counsel?

Mr. RUSNACK. Yes, sir. We are represented by Mr. Robert Jordan, sitting to my left.

The CHAIRMAN. Mr. Jordan. Thank you.

Mr. Garibaldi, we will begin with you—or, however you want to proceed.

Do you have a joint statement?

Mr. JORDAN. Mr. Chairman, we thought perhaps—we sort of structured it in a way that if Mr. Rusnack goes first, we think it will be shorter. The others can sort of fill in the gaps, if that is all right with you.

The CHAIRMAN. Fine. Proceed however you would like.

PANEL CONSISTING OF WILLIAM C. RUSNACK, PRESIDENT, ARCO TRANSPORTATION COMPANY; FRED GARIBALDI, BP AMERICA, FORMER CHAIRMAN, OWNERS COMMITTEE OF THE TRANS-ALASKA PIPELINE SYSTEM; DARRELL G. WARNER, PRESIDENT, EXXON PIPELINE COMPANY

Mr. RUSNACK. Thank you very much, sir.

Mr. Chairman, Members of the committee:

My name is William C. Rusnack. I am a senior vice president of Atlantic Richfield Company, and I have been President of ARCO Transportation Company, a Division of Atlantic Richfield, since August 22 of 1990.

I also serve as ARCO's representative on the Owners Committee of the Alyeska Pipeline Service Company.

As of January 23, 1991, I became Chairman of the Owners Committee. ARCO first learned of the Wackenhut investigation on September 25, 1990, at a meeting called by Mr. Hermiller and attended by three owner representatives—myself, Messrs. Garibaldi and Warner.

Since I had only recently become ARCO's representative on the TAPS Owners Committee, this was the first time I had met my two colleagues here, as well as Jim Hermiller, Pat Wellington, and others in the Alyeska organization.

At the meeting, the Alyeska management described the reason for the investigation and the activities that were conducted.

After hearing the Alyeska presentation, I concluded that the investigation should be terminated. My view was consistent with the views of the other two owner representatives present, and was agreed to by the Alyeska management.

Although I understood the need to protect against theft of proprietary and confidential company information, and fully support measures to put an end to such theft, the Wackenhut investigation relied upon an investigative approach that, however legal and how-

ever widely practiced, was inconsistent with the standards I consider to be appropriate.

In short, I believed the investigation should be stopped.

Rather than wait for a full meeting of the Owners Committee, the three representatives present asked Alyeska management to immediately cease all investigative activities and to close down the investigation in an expeditious way.

Alyeska was also instructed to assemble and preserve all investigative materials.

In addition, arrangements were made to bring the entire matter to the attention of a regularly scheduled full Owners Committee at an executive session on October 3, 1990.

At that meeting, the Owners Committee agreed with the actions taken at the September 25 meeting and also endorsed the engagement of special independent counsel to review the Wackenhut investigation. To that end, the owners subsequently retained Leonard S. Janofsky of Paul, Hastings, Janofsky & Walker.

In light of the following steps taken by the TAPS Owners, I believe the owners acted promptly and responsibly by:

One, immediately terminating the investigation;

Two, engaging special independent counsel to ascertain the facts underlying the investigation, identify any legal issues raised by the investigation, and generally review the investigation;

Three, determining whether the results of the investigation required notification to any public official or other person, or the taking of some other further action;

Four, arranging for the collection of all material resulting from the investigation and safekeeping with Paul, Hastings, Janofsky & Walker to ensure that no material would be destroyed or used in any fashion; and

Five, delegating to Mr. Warner and me the responsibility to review with Mr. Hermiller issues that surfaced regarding the management communications process to ensure against future activities that might be unacceptable for Alyeska to take.

On a broader issue, I would like to express the hope that these proceedings do not undercut the seriousness of unauthorized disclosures of confidential and privileged information.

Mr. Hermiller was legitimately concerned with the unauthorized disclosure of Alyeska proprietary documents, and particularly of attorney-client privilege material.

The investigation disclosed that one person had in his possession over 20 privileged documents that had been prepared by Alyeska's lawyers in connection with the defense of Alyeska in over 100 lawsuits stemming from the *Exxon Valdez* oil spill.

No organization, in my view, can operate without procedures to ensure that its privileged and proprietary information will remain privileged and proprietary.

Before closing, I would like to emphasize that Alyeska's management encourages employees to freely express concerns they may have about workplace safety and environmental compliance. If an employee believes Alyeska is doing something wrong, something in violation of the law, we want to know about it.

Finally, Mr. Chairman, Alyeska would welcome a better process for working on issues related to its operations. If you have concerns

about our policies and practices, regardless of how the information underlying your concerns came to your attention, we invite you to communicate them directly to us in order to initiate an open dialog designed to generate constructive solutions.

The current process which promotes distrust and antagonism serves no one's best interests. In that sense, I hope something positive may come out of these proceedings.

Thank you, very much.

[Prepared statement of Mr. Rusnack follows:]

October 30, 1991

STATEMENT OF WILLIAM C. RUSNACK
PRESIDENT, ARCO TRANSPORTATION COMPANY
BEFORE THE
HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
NOVEMBER 5, 1991

Mr. Chairman, members of the Committee, good morning. My name is William C. Rusnack. I am a Senior Vice President of Atlantic Richfield Company and have been President of ARCO Transportation Company, a Division of Atlantic Richfield, since August 22, 1990. I also serve as ARCO's representative on the Owners Committee of Alyeska Pipeline Service Company. As of January 23, 1991, I became Chairman of the Owners Committee.

ARCO first learned of the Wackenhut investigation on September 25, 1990, at a meeting called by Mr. Hermiller and attended by three owner representatives: myself and Messrs. Garibaldi and Warner. Since I had only recently become ARCO's representative on the TAPS Owners Committee, this was the first time I met my two colleagues here, as well as Jim Hermiller, Pat Wellington, and others in the Alyeska organization.

At the meeting, Alyeska management described the reason for the investigation and the activities that were conducted. After hearing the Alyeska presentation, I concluded that the investigation should be terminated. My view was consistent with the views of the two other owner-representatives present, and was agreed to by Alyeska management. Although I understood the need to protect against theft of proprietary and confidential company information, and fully support measures to put an end to such theft, the Wackenhut investigation relied on an investigative approach that, however legal and however widely practiced, was inconsistent with standards that I consider to be appropriate. In short, I believed that the investigation should be stopped.

Rather than wait for a full meeting of the Owners Committee, the three representatives present asked Alyeska management to immediately cease all investigative activities and to close down the investigation in an expeditious way. Alyeska also was instructed to assemble and preserve all investigative materials. In addition, arrangements were made to bring the entire matter to the attention of the full Owners Committee at an executive session on October 3, 1990.

At that meeting, the Owners Committee agreed with the actions taken at the September 25 meeting and also endorsed the engagement of special independent counsel to review the Wackenhut investigation. To that end, the Owners subsequently retained Leonard S. Janofsky of Paul, Hastings, Janofsky & Walker.

In light of the following steps taken by the TAPS Owners, I believe that the Owners acted promptly and responsibly by:

- Immediately terminating the investigation;

- Engaging special independent counsel to ascertain the facts underlying the investigation, identify any legal issues raised by the investigation, and generally review the investigation;

- Determining whether the results of the investigation required notification to any public official or other person, or the taking of some other further action;

- Arranging for collection of all material resulting from the investigation and safekeeping with Paul, Hastings, Janofsky & Walker to ensure that no material would be destroyed or used in any fashion; and

- Delegating to Mr. Warner and me the responsibility to review with Mr. Hermiller issues that surfaced regarding the management communications process to ensure against future activities that might be unacceptable for Alyeska to undertake.

On a broader issue, I would like to express the hope that these proceedings do not undercut the seriousness of unauthorized disclosures of confidential and privileged information. Mr. Hermiller was legitimately concerned about the unauthorized disclosure of Alyeska proprietary documents and particularly of attorney-client privileged material. The investigation disclosed that one person had in his possession over 20 privileged documents that had been prepared by Alyeska's lawyers in connection with the defense of Alyeska in over 100 lawsuits stemming from the Exxon Valdez oil spill. No organization, in my view, can operate without procedures to ensure that its privileged and proprietary information will remain privileged and proprietary.

Before closing, I would like to emphasize that Alyeska's management encourages employees to freely express concerns they may have about workplace safety and environmental compliance. If an employee believes Alyeska is doing something wrong - - something in violation of law - - we want to know about it.

Finally, Mr. Chairman, Alyeska would welcome a better process for working on issues related to its operations. If you have concerns about our policies and practices, regardless of how the information underlying your concerns came to your attention, we invite you to communicate them directly to us in order to initiate an open dialogue designed to generate constructive solutions. The current process, which promotes distrust and antagonism, serves no one's best interest. In that sense, I hope something positive may come out of these proceedings.

William C. Rusnack
President
ARCO Transportation Company

State of California

County of Los Angeles

On October 30, 1991, before me, Linda M. Mencken, the undersigned Notary Public, personally appeared William C. Rusnack, known to me to be the person whose name is subscribed to the within instrument, and being by me first duly sworn, acknowledged that he executed it and declared that the statements therein contained are true and correct.

WITNESS my hand and official seal.



Linda M. Mencken

Linda M. Mencken

The CHAIRMAN. Thank you very much, Mr. Rusnack, for your testimony.

Thank you, all of you, for your appearances here today.

The three of you are the Owners Committee? Or is the Owners Committee all of the participants?

Does it go beyond the three of you?

Mr. RUSNACK. Sir, the Owners Committee consists of a representative from each of the seven owner companies.

The three of us represent the owners of the majority share.

The CHAIRMAN. So when you talked in the written statement about going to the full Owners Committee, that is everybody, beyond the three of you?

Mr. RUSNACK. That is all seven owners. That is correct.

Could we have Mr. Garibaldi and Mr. Warner also make their statements?

The CHAIRMAN. Oh, sure. I am sorry. I thought that you weren't going to have that.

Mr. GARIBALDI. Thank you, Mr. Chairman, Members of the committee:

I will make a very brief statement. My name is Fred Garibaldi.

During the period of interest to this committee, I was responsible for the pipeline and marine transportation functions of BP America. I served as the company's representative on the Owners Committee of the Trans-Alaskan Pipeline System from 1987 until January of 1991.

I was the chairman of that committee from early 1989 until January 1991.

I have been asked by this committee to address my knowledge of the investigation conducted by the Wackenhut Company into the unauthorized disclosure of confidential documents and information of Alyeska Pipeline Service Company and the decision to terminate that investigation.

In my ongoing contacts with Jim Hermiller, president of Alyeska, I believe I was advised twice that he had some tapes of Charles Hamel that he thought I ought to see at some time. These comments were not prolonged and did not cover either the nature of those tapes or how they were obtained.

Then in mid-September of 1990, I was contacted by Jim proposing a meeting of the ARCO, Exxon, and BP members of the Owners Committee for the purpose of showing some tapes of Charles Hamel and discussing a matter of importance to Alyeska and the Owner Companies.

I agreed, and the meeting took place in Denver on September 25, 1990. I was present, along with Jim Hermiller and other Alyeska representatives, as well as the representatives from ARCO and Exxon.

At the meeting, I and the other Owner Company representatives present were informed that in early 1990, Alyeska had engaged the Wackenhut Company to investigate unauthorized disclosures to third parties of internal Alyeska information and documents.

Alyeska advised us at that time that they had elected not to notify the owners previous to this in order to safeguard the investigation's confidentiality by limiting the number of people knowledgeable of these activities.

My recollection of the events that followed are consistent with those you just heard from Mr. Rusnack and I will not go over that again, if this is satisfactory to the committee.

As a final matter, I think it is important to remember the purpose of the investigation was to safeguard proprietary information. I believe Alyeska not only has a right, but an obligation to protect its proprietary and confidential information.

There had been clear evidence that such information was being improperly disseminated. In my view, it was not only proper but necessary for Alyeska to take corrective action.

However, I did not agree with the methods employed. Based upon my 30-plus years of experience with Standard Oil and now BP, this is not the way we do business.

I hope this background is helpful, and I will try to respond to further questions you may have.

[Prepared statement of Mr. Garibaldi follows:]

STATEMENT OF FRED G. GARIBALDI BEFORE
THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
NOVEMBER 5, 1991

Mr. Chairman, Members of the Committee, good morning. My name is Fred Garibaldi. Since 1959, I have been employed in various capacities by The Standard Oil Company, and then its successor BP America, when BP acquired the minority shareholding of Standard Oil in 1987. During the period of interest to this Committee, I was responsible for the pipeline and marine transportation functions of BP America. I served as the company's representative on the Owners Committee of the Trans-Alaska Pipeline System (TAPS) from 1987 until January 1991. I was the Chairman of that Committee from early 1989 until January, 1991. Currently, my responsibilities with BP relate principally to emergency preparedness and response.

I have been asked by this Committee to address my knowledge of the investigation conducted by The Wackenhut Corporation into the unauthorized disclosure of confidential documents and information of Alyeska Pipeline Service Company (Alyeska) and the decision to terminate that investigation.

In my ongoing contacts with Jim Hermiller, President of Alyeska, I believe I was advised twice that he had some tapes of Charles Hamel that he thought I ought to see at some time. These comments were not prolonged and did not cover either the nature of those tapes or how they were

obtained. Then, in mid-September of 1990, I was contacted by Jim proposing a meeting of the ARCO, Exxon, and BP members of the Owners Committee for the purpose of showing some tapes of Charles Hamel and discussing a matter of importance to Alyeska and the owner companies. I agreed, and the meeting took place in Denver on September 25, 1990. I was present along with Jim Hermiller and other Alyeska representatives, as well as representatives of ARCO and Exxon.

At that meeting, I and the other owner representatives present were informed that in early 1990, Alyeska had engaged The Wackenhut Corporation to investigate unauthorized disclosures to third parties of internal Alyeska information and documents. Alyeska advised us at that time that they had elected not to notify the owners previous to this in order to safeguard the investigation's confidentiality by limiting the number of people knowledgeable of the activities. The investigation was described and portions of videotapes of conversations with Charles Hamel were shown. After I and the other owner representatives learned of the nature of the investigation, Alyeska was directed to immediately shut it down, assemble and preserve the information gathered during the course of the investigation and make no use whatsoever of the information.

On October 3, 1990, the investigation was described at an executive session of all members of the Owners Committee and they were advised of the decisions reached at the September 25 meeting. The remaining members concurred with the action taken on September 25 and all members agreed that an independent law firm should be engaged to satisfy

itself as to the facts underlying the investigation and to advise the Owners Committee of its findings and of further actions, if any, that should be taken by the owners.

Following the work by this independent firm, (Paul, Hastings, Janofsky & Walker), I was satisfied that the only additional action required to bring the matter to an end was to collect all the information gathered in the investigation and to retain it in a confidential manner in the offices of that firm. This was done.

Finally, I think it is important to remember the purpose of the investigation was to safeguard proprietary information. I believe Alyeska not only has a right but an obligation to protect its proprietary and confidential information. There had been clear evidence that such information was being improperly disseminated. In my view, it was not only proper but necessary for Alyeska to take corrective action. However, I did not agree with the methods employed. Based upon my 30 plus years of experience with Standard Oil, now BP, this is not the way we do business.

I hope this background is helpful. I will try to respond to any further questions you may have.

FRED G. GARIBALDI
October 31, 1991

District of Columbia, ss.:

The undersigned, a notary public in and for the District of Columbia, does hereby certify that Fred G. Garibaldi personally appeared before me in said District, the said Fred G. Garibaldi being personally well known to me as the person who executed the foregoing document and, being by me first duly sworn, declared that the statements therein contained are true and correct.

Given under my hand and seal this 31st, day of October, 1991.

Jenny A. Hughes

Notary Public

Jenny A. Hughes - My Commission Expires April 1, 1993

The CHAIRMAN. Thank you.

Mr. Warner.

Mr. WARNER. Mr. Chairman, Mr. Young, Members of the committee:

Good morning. I am Darrell Warner.

The CHAIRMAN. Let me just say, before you begin, to the Members of the committee that it is my intention to complete Mr. Warner's testimony, which I believe is rather short, and then we will go vote, and then we will come back for questions.

Thank you.

Mr. WARNER. My name is Darrell Warner. I am president of Exxon Pipeline Company, one of the seven owners of the Trans-Alaska Pipeline System.

On approximately September 15, 1990, Jim Hermiller telephoned me to say that he wanted to show some tapes of Charles Hamel to the three major owners of the Alyeska Owners—to the three major Alyeska Owners at a meeting he was calling for September 25 in Denver.

I first learned that Wackenhut was conducting an investigation for Alyeska at the September 25 meeting. At that meeting, Mr. Hermiller, Mr. Wellington, and two Alyeska attorneys generally described the investigation to the Owner Company representatives who were present.

They said that Alyeska had begun the investigation because of the theft of confidential company documents, including at least one attorney-client privileged document regarding the *Exxon Valdez* oil spill.

Mr. Wellington told us that he had retained The Wackenhut Company to conduct the investigation; that his explicit instructions to Wackenhut were to use only established, legal means.

He told us that Wackenhut began the investigation in March 1990, and he described in general terms what had been done.

The owners asked questions to fill in details, and there was a discussion about legal actions that Alyeska might bring to recover the stolen documents. We were shown about 45 minutes of some of the videotapes of dialog with Mr. Hamel.

While we were told that what was done was legal, I did not think that the investigation was an acceptable course of action for Alyeska to pursue.

The owners expressed concern about continuing the investigation and, together with the Alyeska personnel present, decided that it should be immediately terminated.

The owners also directed Alyeska to avoid using the investigation materials for any purpose, including the taking of action against Alyeska employees, and to assemble and preserve all relevant data.

There was general agreement on all of these points.

In executive session at the next regularly scheduled TAPS Owners meeting on October 3, the matter was reviewed with the full Owners Committee. A decision was made to retain an outside law firm to conduct a detailed review of the investigation.

Subsequently, Mr. Leonard Janofsky of the law firm of Paul, Hastings, Janofsky and Walker, was retained for this purpose, and Alyeska was instructed to transmit all related materials to him.

Following Mr. Janofsky's review, in January 1991 several decisions were made by the Owner Companies and Alyeska. All of the material resulting from the investigation was to be sequestered in the offices of Paul, Hastings.

No dissemination of the information which had been gathered was to be made, and the information was not to be used for any purpose.

In addition, Mr. Rusnack and I reviewed with Mr. Hermiller the Owners Committee's conclusions regarding communications necessary to ensure against future unacceptable activities.

In my written statement for the record, I also refuted certain allegations of Exxon participation in the investigation. In the interests of your time, I won't repeat that now.

I hope that my statement—this statement has addressed your questions, and I, as these other gentlemen, will attempt to answer any additional questions that you may have.

Thank you.

[Prepared statement of Mr. Warner follows:]

TESTIMONY OF DARRELL G. WARNER
PRESIDENT, EXXON PIPELINE COMPANY
BEFORE THE HOUSE COMMITTEE
ON INTERIOR AND INSULAR AFFAIRS
NOVEMBER 5, 1991

Mr. Chairman, members of the Committee, good morning. My name is Darrell Warner, and I am the President of Exxon Pipeline Company. Exxon Pipeline Company is one of the seven owners of the Trans-Alaska Pipeline System and of Alyeska Pipeline Service Company. Alyeska, as you know, operates the pipeline on behalf of the owner companies. I have been on the TAPS Owners Committee since 1986.

You have asked me to address my knowledge of facts surrounding the Wackenhut investigation and the decision to terminate the investigation.

On approximately September 15, 1990, Jim Hermiller telephoned me to say that he wanted to show some tapes of Charles Hamel to the three major Alyeska owners at a meeting he was calling for September 25, 1990 in Denver.

I first learned that Wackenhut was conducting an investigation for Alyeska at the September 25, 1990 meeting. At that meeting, Jim Hermiller, Pat Wellington and two Alyeska attorneys generally described the investigation to the owner company representatives who were present. They said that Alyeska had begun the investigation because of the theft of confidential company documents, including at least one attorney-client privileged document regarding the EXXON VALDEZ oil spill. The theft of legal materials was considered by Alyeska to be more serious than the ongoing leaks of Alyeska documents which had been occurring over a number of years and which concerned mainly technical or operational information.

Mr. Wellington told us that he had retained the Wackenhut Corporation to conduct the investigation, and that his explicit instructions to Wackenhut were to use only established legal

means. He told us that Wackenhut began the investigation in March 1990, and he described in general terms what had been done. The owners asked questions to fill in details, and there was a discussion about legal actions that Alyeska might bring to recover the stolen documents. We were shown about 45 minutes of some of the video tapes of dialogue with Mr. Hamel.

While we were told that what was done was legal, I did not think that the investigation was an acceptable course of action for Alyeska to pursue. The owners expressed concern about continuing the investigation and, together with the Alyeska personnel present, decided that it should be immediately terminated. The owners also directed Alyeska to avoid using the investigation materials for any purpose including the taking of action against Alyeska employees, and to assemble and preserve all relevant data. There was general agreement on all these points.

In executive session at the next regularly scheduled TAPS owners meeting, on October 3, 1990, the matter was reviewed with the full Owners Committee. A decision was made to retain an outside law firm to conduct a detailed review of the investigation. Subsequently, Mr. Leonard Janofsky of the law firm of Paul, Hastings, Janofsky and Walker ("PHJW") was retained for this purpose, and Alyeska was instructed to transmit all related materials to him. Following Mr. Janofsky's review, in January 1991, several decisions were made by the owner companies and Alyeska: all of the material resulting from the investigation was to be sequestered in the offices of PHJW; no dissemination of the information which had been gathered was to be made; and the information was not to be used for any purpose. In addition, Mr. Rusnack and I reviewed with Mr. Hermiller the Owners Committee's conclusions regarding communication necessary to ensure against future unacceptable activities.

It is important that I add one item for the record. I have seen affidavits of former Wackenhut employees filed several weeks ago

by counsel for Mr. Charles Hamel in a lawsuit with Exxon currently pending in federal court in Houston. This lawsuit concerns the interpretation of oil and gas lease contracts signed in 1977 by Mr. Hamel and his partners. The lawsuit has absolutely no relation to the matter before your Committee today. The affidavits, however, state repeatedly that the authors had been told that Exxon had early knowledge of the Wackenhut investigation; this is absolutely false. No one working in Exxon Corporation or any of its subsidiaries authorized or participated in this investigation, or ever used any aspect of it for any purpose. The only Exxon person who knew of the investigation before late September 1990 was Steve Dietrich, an Exxon employee seconded to Alyeska on long-term assignment as Administrative Vice President, and in this role he knew that an investigation was beginning at about the time he left Alyeska. No Exxon lawyer or any other Exxon employee ever went to Coral Gables to review the investigation material as was reported in the press. I might also mention that I understand that the federal judge in the Houston contract case has recently ruled that the Wackenhut investigation has no relevance to the lawsuit.

I hope that in this statement I have addressed your questions. I will attempt to answer any additional inquiries you may have.

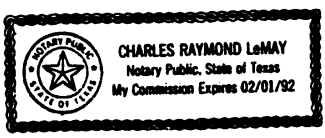
Darrell G. Warner

Darrell G. Warner, President
Exxon Pipeline Company

THE STATE OF TEXAS)(
)(
COUNTY OF HARRIS)(

Before me, a notary public, on this day personally appeared Darrell G. Warner, known to me to be the person whose name is subscribed to the foregoing document and, being by me first duly sworn, declared that the statements therein contained are true and correct.

Given under my hand and seal of office this 31st day of October, 1991.



Charles Raymond LeMay
Notary Public Signature

CHARLES RAYMOND LeMAY
Notary Public Typed Name

(SEAL)

The CHAIRMAN. Thank you, very much.

The committee will recess for a few minutes to go vote. We will be right back.

[After recess.]

The CHAIRMAN. The committee will reconvene.

Let me again thank you for your appearance and for your testimony, gentlemen.

Mr. Garibaldi, it seems to appear from the record, for the moment, as it is developed over time here that some changes occurred with respect to actions by Alyeska after the *Scottish Eye* program.

Are you familiar with the *Scottish Eye* program?

Mr. GARIBALDI. Yes, sir, I am.

The CHAIRMAN. And I think it is fair to characterize the testimony that that heightened concern and awareness—I think that is kind of the middle between the two testimonies—about documents being leaked.

What was your communication with Mr. Hermiller after the *Scottish Eye* program? Did you talk to him about that program?

Mr. GARIBALDI. Yes, sir, I did.

There were two separate issues that came out of that program. One, it was aired in England, and it had been sharply critical of BP as having double standards. So there was a concern of the content of the program that we discussed.

A second concern was the fact that a document which was clearly a privileged and confidential attorney-client document had been actually shown on that program.

The CHAIRMAN. So how were those concerns discussed?

Mr. GARIBALDI. The second concern—in my view, there had been a number of discussions previous to that.

There had been ongoing discussions periodically on the dissemination of—improper dissemination of Alyeska confidential material and its availability to the public.

There had been ongoing discussions. This was a further, and very clear evidence. There it was.

So as I saw that, that was a—it was more evolutionary than revolutionary in the sense that we were already aware that information was being improperly disseminated.

The CHAIRMAN. Were those discussions about previous availability of documents to the public, were those centered on the question of the documents being available? Or were those centered on Mr. Hamel?

Mr. GARIBALDI. It was just a general concern that the normal documents that you need to run your business are not being—are not properly protected.

The CHAIRMAN. Was Mr. Hamel discussed in those previous discussions?

Mr. GARIBALDI. I don't specifically recall that he was, but I'm confident that he probably was, because clearly he was one of the users of those documents.

The CHAIRMAN. In the previous discussions about the unauthorized availability, were remedies discussed? Did you discuss what you might or might not do within the company in terms of internal security, or the flow of information and/or documents?

Mr. GARIBALDI. No specific remedies that I recall.

The CHAIRMAN. So you were what, in those previous discussions? You were just sort of lamenting that this was happening?

Mr. GARIBALDI. Yes, and with I think an understanding that there would be—in the normal course of events, you would take a look at your security systems and see where you thought they were—you know, just a general concern that something probably ought to be done about it.

The CHAIRMAN. What did you direct Mr. Hermiller to do as a result of the *Scottish Eye* program?

Mr. GARIBALDI. I didn't direct Mr. Hermiller to do anything as a result of that.

The CHAIRMAN. So the next contact you had on this subject would be, what, when he called you, and I guess he called—did he call all three of you—saying he had some tapes of Charles Hamel that he wanted to show you? Would that be the next contact?

Mr. GARIBALDI. Could I expand just a bit on my last statement?

The CHAIRMAN. Yes.

Mr. GARIBALDI. I don't recall any specific conversation with Jim Hermiller saying, do something about—it could well have happened in the context of our conversations that he advised me that he was going to take some specific steps to try to stop the leaks of information. And had he done that, I'm sure I would have responded, "Good. Do it."

The CHAIRMAN. Did you——

Mr. GARIBALDI. But I don't recall specifically that conversation.

The CHAIRMAN. Did you send Mr. Hermiller a letter with a series of questions after the *Scottish Eye* program?

Mr. GARIBALDI. I don't recall if it was a letter. I do know that there——

The CHAIRMAN. Or a fax, or some communication?

Mr. GARIBALDI. Some specific questions that came up, and I think I elicited Jim's help in responding to those.

The CHAIRMAN. Can you tell us what those questions were?

Mr. GARIBALDI. I don't recall. I don't have that document. One question I do recall had to do with the standards for ballast water quality, and there were some related issues. I recall something about the use of tugs, perhaps. They were those kinds of issues. I don't recall them, specifically.

The CHAIRMAN. Well, I would like to formally request that document. We had requested all documents relating to this, and I believe that clearly that document does so. So we would ask formally that you produce that document to the committee, if you will.

Your counsel can discuss that with committee counsel, however, but I would like to make that a formal request.

Mr. JORDAN. We will pursue that with your counsel, Mr. Chairman.

The CHAIRMAN. Thank you.

So then we are at the point where Mr. Hermiller calls you and says that he has some tapes. He has Charles Hamel on tape that he thinks you ought to see. And he called you also, Mr. Rusnack? Is that correct?

Mr. RUSNACK. Yes, he did call me. I don't remember in the phone conversation that he mentioned to me specifically tapes. He simply

said that they had a security problem—he and I had never met—and they wanted to have a special meeting in Denver, and would I be available.

The CHAIRMAN. The same is true with you, Mr. Warner?

Mr. WARNER. To me, he did say that he had some tapes of Mr. Hamel that he wanted to show.

The CHAIRMAN. And what actions did the three of you take at that point? Did you simply go to the Denver meeting? Or did you ask your attorneys? Did you talk among yourselves about the Denver meeting with respect to this matter?

Mr. RUSNACK. I subsequently found out, if my recollection is correct, that Fred Smith, who was then counsel for Alyeska, had called my ARCO attorney and invited him to the same meeting.

The CHAIRMAN. That would be?

Mr. RUSNACK. Mr. Bilgore. Mr. Bilgore and I then talked about it. Mr. Bilgore really didn't get much more information in his conversation with Mr. Smith than I did in my conversation with Mr. Hermiller, but we both agreed that we ought to be there.

The CHAIRMAN. Mr. Warner, you brought your attorney, also?

Mr. WARNER. Yes, I had—I'm not sure if it was at the same discussion on September 15, or if there was an intervening phone call, but at some point Mr. Hermiller said that the tapes had something on them relative to Exxon shipping matters that he would want to talk with me privately about, and this I think put up a red flag that I probably needed to bring my attorney, so I elected then to do so.

The CHAIRMAN. When did you talk privately to him about that?

Mr. WARNER. Pardon me?

The CHAIRMAN. When did you talk to him privately about the Exxon shipping matters?

Mr. WARNER. At the end of the meeting on September 25—25, whatever, the meeting in Denver. I asked Mr. Hermiller if he had any specifics further, and he said, no, those things had come up in the meeting.

The CHAIRMAN. And "those things" were what?

Mr. WARNER. There were allegations that Mr. Hamel made about transfer of ballast water and things like that.

The CHAIRMAN. Specifically with respect to Exxon?

Mr. WARNER. Sir?

The CHAIRMAN. Specifically with respect to Exxon?

Mr. WARNER. Right. Absolutely. Yes.

The CHAIRMAN. Those were raised in the meeting—in the general meeting?

Mr. WARNER. Mr. Hermiller told me that the things that were pertinent to Exxon were raised in the general meeting.

The CHAIRMAN. So there was no further discussion at that time?

Mr. WARNER. No further discussion.

The CHAIRMAN. And that was with respect to the transfer of ballast water? Is that correct?

Mr. WARNER. Yes, sir.

The CHAIRMAN. Ballast water at the terminal, or at sea, or both?

Mr. WARNER. I believe that it had to do with transfer of ballast water at sea, from one vessel to the other, and it may not have

been that specific in the tapes, but it was that general—in what I saw, but it was that general allegation.

The CHAIRMAN. What did you do in response to that allegation?

Mr. WARNER. I did nothing in response to hearing the allegation there until the last—until the material was made available to the committee.

The CHAIRMAN. At the meeting, this was in Denver and you were the three representatives of the owners? Is that correct?

Mr. WARNER. That is correct.

The CHAIRMAN. And Mr. Hermiller was accompanied by?

Mr. RUSNACK. As I recall, he was accompanied by Mr. Smith, Lon Trotter—who is another attorney with Alyeska—and Mr. Wellington.

The CHAIRMAN. Mr. Wellington. And how did the meeting proceed?

Mr. RUSNACK. My recollection——

The CHAIRMAN. This was your first meeting, right, Mr. Rusnack?

Mr. RUSNACK. That is correct.

The CHAIRMAN. Are you going to go back for a second one? [Laughter.]

Mr. RUSNACK. With a lot more interest. [Laughter.]

There was a presentation made, I think an introduction either by Hermiller or Smith, but a basic presentation was then made by Mr. Wellington which described some details of an overview of the investigation, the purpose of the investigation. And then they told us they had segments of tapes which they would like us to look at.

I believe they had about an hour's worth of tapes which they intended to show us. They began showing the tapes, and at some point as we went through the tapes, somewhere between half an hour and 45 minutes, the three owners somewhat kind of looked at each other and acknowledged that we had seen enough; we did not need to see the full tapes that they intended to show us, because we were ready to talk.

We then, I believe since Mr. Garibaldi was the chair at the time, he spoke first and basically expressed immediately that in view of what he had heard and what he had saw, that it brought some concern to his mind, and that his view was that we should shut down the investigation immediately.

Mr. Warner and I readily agreed to that, and we proceeded then with a plan to shut it down. We immediately decided that, in view of our concern about the approach taken in the investigation, that we did not want to have any of this information used for any purpose, and we instructed the management of Alyeska not only to discontinue the investigation, but to make sure that the material was immediately gathered up, secured, and used by no one for any purpose, and that this was something that needed to be brought to the immediate attention of the four minority owners.

We had a regularly scheduled owners meeting for October 3. We decided, rather than to call a meeting in between September 25 and October 3, that we would have an early executive session at which this would be the presentation in that executive session on October 3.

We did that. And the reason we felt we did not need to do anything ahead of time is that we clearly told them to stop and gather up the material.

So we felt very secure in our position at that point.

The CHAIRMAN. Mr. Garibaldi, what is it that you heard and saw that led you to then say that you had seen enough and that you wanted this investigation stopped?

What was it that you heard from Mr. Hermiller and the others that were making the presentation to you?

Mr. GARIBALDI. It was nothing specific, other than the nature of the investigation itself. The investigation of a third party in that fashion just simply was, in my view, inconsistent with the way we conduct our business, and we should shut it down.

The CHAIRMAN. When you viewed the tapes, what is it you heard on the tapes? We don't know. We are not able to determine what snippets, as they were presented, you heard in that 45 minutes.

Can you remember what you saw, or what——

Mr. GARIBALDI. I can't. I think the purpose in showing the tapes was to demonstrate that in fact Charles Hamel had private Alyeska documents in his possession, and to demonstrate that on the tapes.

It was not specifically the information on the tapes that was the focus of my thinking in shutting it down. It was the fact that they had been made.

The CHAIRMAN. This did not look to you like something you wanted to put your logo on?

Mr. GARIBALDI. Exactly.

The CHAIRMAN. Mr. Rusnack, this is your first meeting.

Mr. RUSNACK. Yes, sir.

The CHAIRMAN. When you saw the tapes, again I assume there may be some exceptions, but essentially Mr. Hamel is the center of this. In a number of tapes he makes claims about pollution discharges in one form or another, and illegal actions, whatever his assertions on those tapes, and I think also reciting that he is the recipient of material, of documents. Did they fall out of the sky?

Again, I do not know what you saw, but what were you thinking at that time?

Mr. RUSNACK. Well, I don't recall what I saw in detail, either, other than that one of the tapes that we saw I recall specifically was I guess what I would call the first tape they made. It was made I think in a hotel room, rather than the office that they had set up.

What I remember about that tape is it was virtually unaudible. You couldn't hear it. You couldn't make out what he was really saying. My hearing was not, in that meeting, capable of really understanding exactly what was being said for that portion of the tape.

There was some explanation either by Mr. Smith or by Mr. Wellington about what was really going on there, but I couldn't understand it.

Then there was another tape that was done in a setting where you could understand it, and you're right. There were just ramblings about environmental matters.

I think you mentioned in the discussions yesterday, why was there a discussion about—why did your name come up. I think in

one of the tapes Mr. Hamel mentioned your name, and we saw that. So we as owners questioned that and wanted to know what was the nature of this, what was going on.

I have a phrase I use in certain instances in business when you are faced with situations that are pretty straightforward to deal with. My phrase is that it was a blinding glimpse of the obvious as to what ought to be done, and it ought to be shut down; that it was not something that I thought was appropriate, or that Alyeska or anyone should be involved in.

The CHAIRMAN. Mr. Rusnack, Mr. Bilgore accompanied you. Yesterday I read from the Paul, Hastings memo which apparently was done after an interview with Mr. Bilgore. The Paul, Hastings memo notes that Mr. Bilgore notes that, throughout the meeting, Alyeska felt that it had done well and was proud of its investigatory work.

"They hyped up the tapes as containing information that would expose Hamel and Petrich"—and that is Mr. Petrich to my left here—"as forming a conspiracy with gross motives."

Is Mr. Bilgore accurately reflecting?

Mr. RUSNACK. I did not get the impression of what I will call "hyped up." The remarks were made on the tape, and we pursued a discussion because the owners were interested in what that meant.

My impression was—and I got different impressions depending upon the individual Alyeska management person there—but my general impression was that there was not a great deal of enthusiasm for continuing, or for the results of the investigation.

My impression was that the members of the legal staff of Alyeska had some enthusiasm for pursuing litigation against Mr. Hamel because of his possession of the documents, but I did not get that same impression from the remarks that Mr. Hermiller made.

He did not seem to share that same enthusiasm necessarily for pursuing any litigation. He was what I would describe as somewhat neutral at that point in looking for direction from the owner.

The CHAIRMAN. Was there in fact a discussion, hyped up or otherwise, about exposing Mr. Hamel and Mr. Petrich to forming a "conspiracy of gross motives"?

Mr. RUSNACK. I don't know what that means.

The CHAIRMAN. I don't know, either. I must have missed school that day.

Mr. RUSNACK. There was a discussion about, because the owners were concerned, there was a discussion about the relationship. The owners obviously wanted to know—we wanted to make sure that they didn't do anything beyond the discussions or taping with Mr. Hamel, that they did not pursue any avenue that might be directed at any Member of Congress, whether it was a staff member or yourself, and we were assured in that meeting that there were no efforts to go beyond the discussions that took place between Mr. Black and Mr. Hamel in that taping session; that that was the extent of it.

The CHAIRMAN. Was that discussion before or after viewing the tapes?

Mr. RUSNACK. It was after viewing the tapes.

The CHAIRMAN. It was after viewing the tapes?

Mr. RUSNACK. Yes. It came up because of the comments by Mr. Hamel on the tape.

The CHAIRMAN. Was there a discussion—I believe this is from Ms. Pace's notes—"to neutralize Hamel, we might make contact with Miller, EPA, etc."?

Mr. RUSNACK. One of the things the owners went through was, you know, a quick—although we wanted to shut it down, and we did immediately decide to shut it down, and we subsequently—I mean, we pretty shortly decided not to use the material, our first impression was, well, what do we do with this material?

We can't—it is there. Do we have any obligations to do anything?

One of our concerns was that if Mr. Hamel made some comments concerning a Member of Congress, did we in our role as owners have an obligation in any fashion to do anything?

A natural extension of that is, whether we have an obligation or not, is it in our best interests to go to Mr. Miller and let him know what was going on?

We had a discussion that anyone would have of such a thing.

We quickly concluded that, because of the sensitive nature of all this material, the best thing we felt that could be done was to shut down the investigation and make sure this material was not used for any purpose.

And then, to seek advice from independent legal counsel as to how we should proceed from there forward.

The CHAIRMAN. And that was the decision to get the Paul, Hastings firm? Correct?

Mr. RUSNACK. Subsequently, then, we retained Janofsky.

The CHAIRMAN. And the purpose of that was to have them interview the participants at the various levels, and to write you, what, a memorandum as to rights and obligations and liabilities, what have you? Right?

Mr. RUSNACK. The purpose was:

To review the entirety of the investigation;

To report back to us;

Since the assertion had been made by Alyeska that nothing illegal had been done, to review that, let the owners know of the legal status of all of the investigation and what obligations or legal complications that it might present to the Owner Companies;

A recommendation as to what should be done with the material;

Do we have an obligation to bring it to anyone's attention, such as yourself?

And what the ultimate disposition should be.

And as we have already stated, the recommendation was that we did not have any obligations. There were not any obvious illegalities committed.

There were exposures, one of which you talked about yesterday, but that there was no obligation on our part, and the recommendation was to gather all the material and make sure that it was not misused by anyone for any purpose.

The CHAIRMAN. Let me just ask two additional questions.

At that same meeting, if I can reconstruct the record properly, there was also the question of litigation, was there not, because you are the circuit breakers, more or less, on whether or not to go forward with lawsuits?

That is not an independent decision that is made by Mr. Hermiller or others?

Is that correct?

Mr. RUSNACK. That is correct.

The CHAIRMAN. So I would characterize this in a sense, from reading the record, that they brought you the body of evidence saying that they wanted to go forth; that they thought they had met the burden of proof between the tapes and other activities engaged in in surveillance; what did you think?

This was a decision where you could tell them "yes," "no," "let us look into it," "let us do"—you have all kinds of options. But you are the circuit breaker in those decisions.

Mr. RUSNACK. That is correct.

The CHAIRMAN. This group of three and/or the entire group if it is even more serious than that.

Mr. RUSNACK. The entire group, yes.

The CHAIRMAN. But theoretically you are in a position—you are the agents for the rest of the representatives?

Mr. RUSNACK. No. They would have to be involved.

The CHAIRMAN. They would have to be involved in that final decision?

Mr. RUSNACK. That is correct.

The CHAIRMAN. I see. OK, but that is essentially what was taking place here. Mr. Hermiller, Mr. Wellington, and others had arrived at a point that they were now ready to go and deliver this material; a prosecution memo was started. As far as we know for the moment, it was not done, but the memo was to go to the FBI, or to go to some other States attorney or somebody and move forward.

That is what this presentation was about?

Mr. RUSNACK. Well, as I have described to you, I did not sense that that was a unanimous feeling on the part of the entire management team of Alyeska that presented to us that day; that it seemed to be of interest to the people in the Legal Department of Alyeska, but that Mr. Hermiller did not join in a strong endorsement of that, and was looking for direction from the Owners Committee.

And, quite frankly, in that September 25 session, the question of litigation did not get actively discussed. Because once the owners made the decision not to use the material for any purpose, that included litigation, we gave up the option.

In a sense, once we made that decision, the option of pursuing any purpose, including litigation, was eliminated. That was obvious to the management of Alyeska, so they did not pursue discussion of that.

The CHAIRMAN. Finally, let me just say that I think in your three statements you present rather correctly the problem that we are confronted from, and this committee may be confronted from another side, and that is: we should not let this hearing suggest that any Member of this committee or the Congress takes lightly the unauthorized release of people's work product.

We would not want it to happen, and we try to guard against it happening in our offices, in our campaigns, our official business, or what have you.

This has obviously been an ongoing concern with respect to Alyeska. A number of documents have been put into regulatory agencies' hands, Congress' hands in both Houses, and what have you. Yet at the same time it is rather interesting that you all sort of arrived at the same conclusion, according to your testimony, and that is essentially that this is not the way we do business, or this is not the way we collectively should do business.

As I said, this is not something that you wanted to put your logo on in sponsoring this kind of activity. That presents the rub. At the same time, when we start to receive information that sources to this committee may be under that kind of investigation, and we are in the middle of an ongoing relationship with Alyeska by the jurisdiction of this committee and by our involvement, we are also looking to see who is putting that stamp of approval on those activities.

Obviously, as I think Mr. Hermiller testified, this became something that he could not control and would not do it again, and it appears that you arrived at that conclusion once you saw the work product.

That does not relieve the tension and the desire to have security within the normal course of business, be it attorney-client or not. That is really not the issue.

The issue is security from your point of view.

Thank you, very much.

I want to say to my colleagues, I took a little bit more time, but I thought it was an opportunity to lay out sort of the sequential events that took place.

Mr. Young, we will recognize you.

Mr. YOUNG. Mr. Chairman, I had a short statement to make, but you just made it for me, and I will yield back the balance of my time.

The CHAIRMAN. Two for one here. You guys are way ahead. [Laughter.]

Mr. Richardson.

Mr. RICHARDSON. Could each of you tell me the date that each one of you learned about the investigation? Maybe first with Mr. Rusnack. This was at the meeting?

Mr. RUSNACK. The first I learned about the investigation was September 25 of 1990 at the meeting in Denver.

Mr. RICHARDSON. Mr. Warner.

Mr. WARNER. The first I learned was September 25. After going through the meeting on September 25, I felt that I could not understand why we hadn't been involved, and I went through a data search in my brain, if you will, and tried to remember if there was anything that I had ever heard that could have tipped me off or have told me that this was underway.

After thinking about it for a couple of days, I recalled a conversation that I might have had with Steve Dietrich who early on was an Alyeska officer, and Steve asked me, I think he asked me if I had ever heard about a security investigation that—an Alyeska security investigation of the leaks, and I told him that I hadn't, and that was the end of the conversation.

I don't convey that to mean that I knew.

Mr. RICHARDSON. Well, is it correct that a Ron Olson of Exxon knew?

Mr. WARNER. No, there is no Ron Olson with Exxon that I know.

Mr. RICHARDSON. There is no Ron Olson?

Mr. WARNER. Well, Exxon has a lot of employees. I don't know.

Mr. JORDAN. Mr. Richardson, Ron Olson is an attorney with the law firm of Munger, Tolles & Olson, and is employed on the *Exxon Valdez* litigation matters.

Mr. RICHARDSON. When was he told of the investigation?

Mr. RUSNACK. Subsequent to September 25, but I couldn't give you an exact date. He was informed because of the concerns related to the *Exxon Valdez* litigation, and he was simply informed of the existence of this situation with no details.

Mr. RICHARDSON. Now, Mr. Garibaldi, when were you informed of the investigation?

Mr. GARIBALDI. As I said earlier, I may have had a conversation early in 1990 about leaks and the fact that Alyeska was going to take some steps to try to correct those leaks.

The first time I heard of the nature of the investigation that had taken place was September 25.

Mr. RICHARDSON. Now would you not—why would you not inform the other owners when you first heard of the investigation?

Mr. GARIBALDI. I think securing Alyeska's or maintaining Alyeska's information in a secure status is simply an ongoing part of Alyeska's management responsibilities.

Mr. RICHARDSON. I mean, it occurs to me, gentlemen, that Alyeska is making a significant sting operation. I guess the issue here is, is it correct that your companies own Alyeska?

Is that correct?

Mr. RUSNACK. The companies represented here today own 90 percent of Alyeska, approximately.

Mr. RICHARDSON. OK. Now the Owners Committee, would you not feel that Alyeska perhaps did not follow proper procedures by informing you sooner of this major activity?

Did it strike you as inconsistent with their procedures or your corporate procedures?

Mr. RUSNACK. Congressman Richardson, in my statement I mentioned that Mr. Warner and I did have a session after we became aware of that, and subsequent to the Janofsky investigation of the investigation and the report that they gave us, to give Mr. Hermiller some feedback and expression of the concerns of the owners.

I would not describe it in terms of Alyeska, but I think in retrospect—and I am sure Mr. Hermiller agrees with this—that you can tell from his testimony yesterday, that he made an incorrect management judgment, a bad management judgment.

He understands that he did that, and he will never do it again.

Mr. RICHARDSON. So you continue to stand behind Mr. Hermiller?

Mr. RUSNACK. Yes, sir. Mr. Hermiller is responsible for the operational aspects of Alyeska Pipeline Service Company. Mr. Hermiller is a highly competent operating executive. In his almost 2-year tenure as president of Alyeska, he has demonstrated significant leadership.

He has done a lot of things to improve Alyeska. He has spearheaded a major effort to reorganize the company, and it has result-

ed in really a revitalized management that is capable of taking responsibility, taking accountability, and solving problems.

He has created new environmental and quality assurance divisions in Alyeska. He is a good decisionmaker on operating matters, and he accepts accountability.

He communicates well with his organization, and his organization works well and has good teamwork. We think that Mr. Hermiller in his role of operating Alyeska is an excellent manager who made one very serious mistake in judgment.

Mr. RICHARDSON. Now did Pat Wellington, or anyone at Alyeska, communicate about the information gathered in the sting with any of your security people, or any other employee during the course of the investigation?

Mr. RUSNACK. Could you repeat that, sir?

Mr. RICHARDSON. Yes. Did Pat Wellington, or anyone at Alyeska, communicate about the information gathered in the sting with any of your security people, or any other employee of your organizations during the course of the investigation?

Mr. RUSNACK. As far as I am aware, as a result of my own knowledge and the knowledge gathered by the Paul, Hastings investigation, he made no contact with any members of the management or security of my company during the course of this investigation.

Mr. WARNER. In the case of Exxon, we went a step further when this matter came out—became a public matter. We asked our security people if they had heard anything, and they advised us they hadn't.

Mr. RICHARDSON. The same with BP?

Mr. GARIBALDI. That's correct. We did not take the steps that Exxon took. I know of no contacts that have been made.

Mr. RICHARDSON. Now let's go to the September 25th meeting.

Did Alyeska want the covert operation to continue?

Mr. RUSNACK. My impression was that they were not making what I will call a pitch to continue the covert investigation.

On the other hand, they did not come in and recommend that it be stopped. They came looking for direction from the Owner Companies, and they were prepared, however, I believe, to continue the investigation if the Owner Companies agreed.

Mr. WARNER. Could I add to that, sir?

Mr. RICHARDSON. Yes.

Mr. WARNER. My recollection is that Alyeska—that a meeting was set up between Mr. Black and Mr. Hamel for perhaps the following day, and we told them not to go through with that meeting, to shut it down.

Mr. RICHARDSON. Why was the investigation terminated?

Mr. RUSNACK. I will repeat what I said earlier. From my standpoint, it was a blinding glimpse of the obvious. There was absolutely no merits, in my view, to continuing the investigation.

I did not like the approach that had been pursued in this, and I just came to an immediate conclusion that it needed to be stopped.

Mr. RICHARDSON. Now was anyone concerned that Hamel was a source for the *Exxon Valdez* investigation being conducted by this committee?

Mr. RUSNACK. On the part of what?

Mr. RICHARDSON. On the part of the Owners Committee.

Mr. RUSNACK. I cannot speak for the Owners Committee in that regard because that was my first meeting. Personally, up to that meeting I had never even heard of Charles Hamel. So I just did not know anything about him.

I met him on tape the first time that day.

Mr. RICHARDSON. Has any information gained in the investigation been used to identify sources or punish whistleblowers within your corporations?

Mr. RUSNACK. To the best of my knowledge, no.

Mr. WARNER. In my case, when this became a public matter I did advise the president of Exxon Shipping Company of certain of the allegations against Exxon Shipping Company.

Mr. GARIBALDI. To my knowledge, it was the directive that we provided that they were not to use this information for any purpose. To my knowledge, that has been followed.

Mr. RICHARDSON. What about the shipping company? Have they used this information?

Mr. WARNER. I don't know what they have done with the information I gave them.

Mr. RICHARDSON. Mr. Rusnack, do you know?

Mr. RUSNACK. When you say "information," I gave no information to anyone.

The one, I will say, allegation that I became aware of as a result of the tapes, I simply checked into our own marine company about the allegation without referencing the source of the allegation.

Mr. RICHARDSON. I have one final question.

Mr. Hamel makes a number of very serious environmental allegations in the surveillance tapes. You are aware of that?

Mr. RUSNACK. I have not seen all of the surveillance tapes, but I am aware of the general knowledge of his allegations.

Mr. RICHARDSON. I am not going to detail every environmental allegation at this time. I would just like to know whether each one of you have evaluated his charges, and whether you have taken any corrective measures as recommended in the Paul, Hastings law firm brief's recommendations to you?

Mr. RUSNACK. Sir, as I mentioned, I am aware of one allegation with regard to ballast water. Once again, I believe the nature of the allegation that I became aware of specifically with regard to my company was something to the effect of loading toxic material on to our tankers after they off-load crude in Long Beach, and taking that toxic material as part of the ballast water to Alaska.

I talked to, and we have an environmental audit group which just happened to be doing an environmental audit of our marine at the time. I utilized that audit to direct information to find out about that. I came away with an understanding and a confirmation that ARCO runs what I would classify as a "closed system" with regard to marine matters; that the only materials that are in ARCO's ships in Alaskan service are only ballast-water related to Alaskan crude oil delivery, and no substance of any kind is introduced into it outside of the closed Alaskan system.

Mr. RICHARDSON. Let me just conclude by saying that it appears, gentlemen, and I think especially you, Mr. Rusnack, that you acted

properly at the September 25 meeting, basically shutting this effort down.

My concern is the issue of corporate oversight and responsibility. How could something of this magnitude, a sting-wide operation of this magnitude nationwide that possibly involved a Member of the Congress, that you would not have procedures to be aware of it, to oversee it.

That is what is a little bit disturbing. But clearly, and especially you, Mr. Rusnack, you were on the job shortly and it seems that you were the main cog in getting this shut down. I have to acknowledge that you acted properly.

That still does not excuse the lack of oversight.

Mr. RUSNACK. Sir, I would make two comments.

No. 1, I was not the "main cog." We had three main cogs. There was no dissent among the owners. All of the owners were as enthusiastic about shutting this down as I was. It was not only a blinding glimpse of the obvious to me, but it was to Exxon and BP also.

No. 2, I think that we have the procedures in place. This is not a failure in procedures. This is a management judgment, a bad decision made by an executive in Alyeska, and he has been given broad and adequate feedback to ensure that this will never happen again.

Mr. RICHARDSON. Well, Mr. Rusnack, then I have to regrettably disagree with you, because it is inconceivable to me how, besides the error in judgment, that you and your Owners Committee, the three major corporations, would not have information for oversight interest capacity, accountability, in the procedures that led to this investigation and subsequent investigative techniques used.

I do not see how you can justify correct procedures. You are basically saying that you give your employees latitude to just do about anything. What that "anything" was here was a highly—it seems—a highly questionable effort.

Now I have said good things about you, and then I have to respectfully disagree with the last statement.

Mr. RUSNACK. I understand, sir. But you have to understand, Mr. Hermiller was working on the right problem. He had every right to pursue shutting down the leaks and stealing of our documents, particularly those documents that are related to protecting your own rights in litigation of a matter.

Mr. RICHARDSON. We are not questioning the rights to plug leaks and corporate piracy. I am questioning the methodology, the operations, the potential illegalities and that you would not have an oversight mechanism to ensure that something like that would not happen.

I am not questioning the right to plug leaks in a responsible manner, an in-house manner. Perhaps you would have said: Get your own people to do it. Hire an outside legal counsel.

Mr. RUSNACK. I think in fact if you look really at the timeframe involved here, that the time between when particularly the taping began—because my understanding is that the first taping did not begin until May 1990, and then there was no taping, if I remember the record, at all between May and August. And then there were a series of tapes done in August—that it was really a relatively short time, after this thing really got going, that the owners got in there and immediately stopped it and shut it down.

This did not go on for some extended period of time, over years and years. This was a very short duration operation.

We certainly agree that we would have wanted Mr. Hermiller—and he will in the future—to bring to the attention of the owners any matters such as this before he contemplates it. We would have preferred that he brought it to our attention shortly after he contemplated it, at least, and I think we have the procedures in place to make sure that that will happen in the future.

Mr. RICHARDSON. That is good.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Marlenee.

Mr. MARLENEE. Mr. Chairman, I reserve my time and yield to the gentleman from North Carolina.

Mr. TAYLOR. Let me direct this to all of you, or any one of you who cares to answer.

On your last page, Mr. Garibaldi, you believe that Alyeska has not only an obligation but a right to protect its property and confidential information.

The information that you saw was missing, it included clearly attorney-client privileged information. You had seen that broadcast on television.

Did you feel that there were other things missing, such as trade information, procedures manuals, things that were actually corporate assets and part of how you do business, the development of which is valuable and it is a solid asset of the corporation?

Mr. GARIBALDI. Congressman, I am not sure I had any idea of exactly what information was missing, but there was clear evidence that there was access to our filing system, or our documents, and it was the access that had been demonstrated that was of concerned, because there was obviously a good deal of proprietary and confidential information associated with ongoing litigation, and also employee files, and what have you.

Mr. TAYLOR. If corporate assets—and I know intangible assets have value, and the courts have said they have value—do you think probably with the multitude of things missing—it was several thousand dollars it would have cost to replace, or that type of information—it was an exposure?

Mr. GARIBALDI. I do not know if I could put a price tag on it. It would certainly have value, and also having some of that information out just simply creates a threat to the organization.

Mr. TAYLOR. From a sabotage standpoint.

Mr. Hermiller testified, I believe—and if not he, one of the previous witnesses who was involved—testified—that there were some engineering plans and procedural manuals and other things that had been missing that would have specifically, if they had fallen into the wrong hands, could be used for sabotage, or certainly to enhance sabotage.

Is that a concern of your corporation?

Mr. GARIBALDI. Certainly it is.

I am not sure that the focus was on any specific information that was out there, so much as it was recognition that our security system had—others had access to secure information.

Mr. TAYLOR. Well of course the Alyeska security representative, as well as Mr. Hermiller, yesterday both were concerned about it.

I just wondered if they had expressed that concern in this meeting with the Board in September.

Did they express that to you?

Mr. GARIBALDI. That has been an ongoing issue for some time; yes, sir.

Mr. TAYLOR. And your pipeline provides about 25 percent of the Nation's oil.

Mr. GARIBALDI. Yes, sir.

Mr. TAYLOR. If something happened to that—could that line be shut down through well-placed explosives, sabotage? If you had enough information, could you shut that line down for an extended period of time?

Mr. GARIBALDI. I am sure that you could, sir.

Mr. RUSNACK. Yes, sir.

I would like to comment, because it was shortly after this period that we got into Desert Storm.

To just demonstrate the vulnerability, we had significant security threats, bomb threats that were made to our facilities during that period of time.

Particularly we had specific threats made to attach bombs to ships that were in port, and to blow up ships that were in port; to not only shut down the line, but to create another environmental disaster in Alaska, and went so far as to employ an unmanned submarine to examine the bottom of ships during that time period before they could load crude.

Mr. TAYLOR. And so if you have these threats being made—of course you are always at risk for sabotage.

Environmental disasters could be had on land, or in the water, by properly placing explosives or doing other things that might be acts of sabotage.

You have both the legal and the moral responsibility to the stockholders and to the people of this Nation who you furnish 25 percent of the oil to see that that does not happen in every way possible?

Mr. RUSNACK. Yes, sir.

Mr. TAYLOR. And you take that responsibility seriously, I presume?

Mr. RUSNACK. Yes, sir.

Mr. TAYLOR. So Alyeska, as you have said, had every right to move ahead and try to stop the leaks, or to try to find out what information was missing and to try to recover that information, if they could, and try to get back or stop any damage that might be done from the leaks, or the stolen documents.

Mr. RUSNACK. That is correct, sir.

Because although we had identified certainly one recipient of the material, we did not know what types of people or characters were receiving our material and for what purpose it might be used.

Mr. TAYLOR. Course, I will tell you today that, had you failed to exercise that responsibility, or had Alyeska failed to do it, and a sabotage occurred, especially during the Desert Storm period, this committee would have you here today and probably half of the other committees in Congress would have your hide for that failure.

So you have, I think, clearly the right to move ahead.

Now, Mr. Chairman, I would like to ask these gentlemen: In the course of the tapes, and so forth, there was a cassette, Excerpt #5, dated August 30, where it is purported that Mister—could you pass those out, if we have not already?

The CHAIRMAN. I would ask a committee inquiry of the gentleman.

This is a photocopy of the original?

Mr. TAYLOR. May we enter the tape, then, into the record?

The CHAIRMAN. Let me finish the inquiry.

This is not a document that we have received in connection with this hearing.

Is that correct?

Mr. TAYLOR. The transcript is—there is a date and summary of the context, which I am not relying on—the transcript of Mr. Hamel. It is my understanding it is an exact transcript from the tape.

I have of course—I am so far down the seniority level on this committee, I knew I was not going to get to see all of the information necessarily, and there are tons of boxes of it out there, and it is hard for me to tell if these are the exact words on the tape, but I am relying on them being.

The CHAIRMAN. The Chair is not going to allow this document to be used, or to be distributed.

If the gentleman wants to cite the context, he is able to do that from the original document, or he can play enough of the tape for the purposes of setting the context, but we have had the same problem on our side and I think we should stick to the transcripts.

Mr. TAYLOR. Would you allow the tape to be made a part of the record?

The CHAIRMAN. Would the gentleman identify, for the Chair, what the tape is?

Mr. TAYLOR. It is Exhibit 30 F2R411029, which purports to be the information from the written text.

The CHAIRMAN. That is fine.

You can play the—this is the tape that was supplied to us under the subpoena request.

Is that correct?

[Discussion off the record.]

The CHAIRMAN. The committee is going to take a 1-minute recess here.

[After recess.]

The CHAIRMAN. The committee will reconvene.

Just for information, we will proceed with questions. Mr. Taylor had some questions that were related to the transcripts that were provided for us, and we will get to those at a time when we have the original transcripts and/or audios that were provided by Alyeska to the committee.

I do not want to get into the recreation of evidence for the purposes of the official record, so that may take a moment.

But, Mr. Taylor, you are free to go ahead and proceed with questions not related to the earlier discussed documents.

Mr. TAYLOR. Thank you, Mr. Chairman.

Gentlemen, you testified I think a moment ago that you heard excerpts from the tapes?

Mr. RUSNACK. That is correct.

Mr. TAYLOR. Did those excerpts deal with the fact that Members of this committee, or staff from this committee may have been participating, or encouraging the flow of documents from your company to them?

Mr. RUSNACK. Sir, the tapes were not specific in talking about "encouragement" or "participation." The tapes that I recall were simply that Congressman Miller was a person who was mentioned by Mr. Hamel in one of the segments, as was his staff member, Mr. Petrich.

But I do not recall the context or the exact words that were used.

Mr. TAYLOR. I want to clarify for the record, Mr. Chairman, the fact that we had, and yesterday some information that was of course put in the record, the fact that we have someone who was taped saying that he was directing, and encouraging, and doing things, does not necessarily mean that that is happening.

It means that you have someone saying that it is happening.

That of course can be of concern.

Did you draw the conclusion that perhaps there was a closer relationship between Mr. Hamel who was being taped and this committee through his conversation that might give you pause?

Mr. RUSNACK. I simply drew a conclusion that Mr. Hamel was stating a relationship of some nature with Congressman Miller and/or his staff person.

Certainly that gave the owners pause. That created a concern on our part as to whether the investigation itself in any fashion went beyond looking for where Mr. Hamel got the documents and how we could stop the documents from leaving our possession.

Mr. TAYLOR. Why were you concerned about going the traditional routes of calling the local authorities? Did you feel they were inadequate? Or, given the nature of the information being disclosed, you were concerned? Or what was your——

Mr. RUSNACK. I can speak for myself.

First of all, you have to understand we were not involved at all at that point.

Mr. TAYLOR. Yes.

Mr. RUSNACK. On September 25, we did not know exactly what we had.

We saw 30 to 45 minutes of tape, and we had an overview from the management of Alyeska.

I guess one of the thoughts that ran through my mind—and I remember commenting to Mr. Bilgore who was with me—was basically I said to him, this scares the hell out of me. I don't know what we have here.

The subsequent result of that was that we decided to retain an independent counsel to find out what we had.

Mr. TAYLOR. What scared you about it? What is "this"?

Mr. RUSNACK. I do not particularly like videotaping. I do not like going through people's garbage.

I was particularly concerned when a Member of Congress name surfaced in the tape.

Mr. TAYLOR. That concerned you from the standpoint that you were perhaps finding, or listening to privileged conversations

maybe with a Member of Congress, or a Member of this committee, or this committee officially?

Or the fact that a Member of this committee might be encouraging stolen documents to be placed in this committee's possession?

Mr. RUSNACK. Just the fact that his name surfaced. I wanted to know what it is we had. I just felt extremely uncomfortable.

Mr. WARNER. In my case, sir, I would have come to the same conclusion if Congressman Miller or Mr. Petrich had not been mentioned at all.

It just was not an appropriate thing for Alyeska to be doing.

Mr. TAYLOR. Does anyone else want to comment?

Mr. GARIBALDI. I would say the same thing.

I think our focus, certainly mine, was, having found out the way it was done, to shut it down and not use the information.

Then, any discussion, further discussion of what that information was, was a bit blurred in the context that we had already decided not to use it.

The Congressman's name was a concern that we have some obligation—there's something here—an obligation that we have, as a result of some things that have taken place.

Mr. TAYLOR. Mr. Chairman, gentlemen, I want to tell you in closing that my opinion—and I may come back with questions after we make the decisions on the tapes a little later—but I do not want my privacy, or anyone in this Nation's privacy invaded unnecessarily, trash gone through, and being taped, whether it is illegally or legally.

I recognize that it is a part of legitimate investigations if it is approved by the courts from a law enforcement standpoint.

It also may be legal in some States, as we know, where one party consents.

It is not a pretty process.

It is not a process that we like to see, and I understand your concern about it.

I also recognize that your corporation has a right and a legal duty to try to reclaim the property, to try to protect what is a very essential part of this Nation's lifeline for its energy.

The catastrophic results from a disruption of 25 percent of our oil here would be devastating all across the country, at any time of the year, and at certain other times of the year even more so for certain of the population.

So you have that right and that legal responsibility. If you have violated the rights of anyone in the process through your contractors, the detective agencies, or any of your employees, there are channels open to those people who were violated both criminally and civilly to proceed against you, and in fact they may have already started doing that.

The public can be protected that way. I have been concerned all along that the thrust of this committee has been one-sided toward trying to be concerned about the people who might have been investigated, their rights, and quite properly so.

But those people have an abundance of civil and legal channels that they can follow.

The fact that you drew back when you heard Congress was involved gives you some idea of the power of a congressional committee.

Congress is perceived in the public, quite rightly so in many cases, to have insulated itself from all of the protections that you have against other people.

You would not have those same protections against Members of Congress.

Now it is absurd that that should be so, but it is so in many cases. We have exempted ourselves from a large portion of the laws that we enact.

I do not think that we have exempted ourselves from the criminal and the civil and the professionally ethical regulations in the conduct that has been alleged by some of the testimony here.

I do not think we have done that, but I can see where the public could certainly perceive that we had, and that we ourselves may set ourselves above the law, and have the right to do things that we are criticizing your agency for doing.

It concerns me that we do not—and I hope we will in this committee—focus our attention toward what may have happened here that went beyond the bounds that this congressional committee should ever go beyond in obtaining evidence, or obtaining information that may be attorney-client privileged, which is certainly unethical from any professional standpoint, obtaining stolen documents, if we knew those documents were stolen, and utilizing that information, because it not only is illegal, immoral, bad ethical practice, it also jeopardizes the public's right perhaps to proceed against the wrong-doer in the future.

If we take stolen documents and produce those stolen documents in the future, it could jeopardize any criminal action that might be taken down the road.

So that type of clumsiness could actually do far more public harm than it could ever do good.

I hope our committee will focus some on that, either during this process or perhaps at another time.

Thank you.

The CHAIRMAN. Mr. Johnston.

Mr. JOHNSTON. Thank you, Mr. Chairman.

First I would like to make somewhat of an unfriendly observation.

Gentlemen, we started out yesterday with Mr. Lund who is an independent contractor hired by Wackenhut who looks in a spy magazine and gets telephone records.

Wackenhut does not know what Lund is doing.

Alyeska does not know what Wackenhut is doing.

And you three gentlemen at the table there, representing 90 percent of Alyeska, do not know what Alyeska is doing. The day you closed it down was the day you had knowledge of it.

It seems to me that everybody is building a firewall for responsibility, knowledge, and insulating themselves from everyone else in this process.

Mr. Rusnack, at page 2 of your testimony you stated on September 25, in short:

"I believe that the investigation should be stopped, categorically." Did you feel that Alyeska or Wackenhut was violating any laws?

Mr. RUSNACK. Sir, on September 25—I am not a lawyer—so on September 25, I had no concept of a factual basis to make that judgment.

I was told by the management of Alyeska and their attorneys, as you have heard in the last couple of days, that they very, very judiciously gave direction that all investigations should be conducted in a legal manner, only legal practices used, and we were told by the management that that had been done, and there had been no violations of the law.

I had no reason to believe that that was not true.

Mr. JOHNSTON. Mr. Warner.

Mr. RUSNACK. But as I said, I was uncomfortable.

Mr. WARNER. That is precisely my understanding on September 25.

Mr. JOHNSTON. Mr. Garibaldi.

Mr. GARIBALDI. That is correct, sir.

Mr. JOHNSTON. Mr. Taylor just said, and you agreed, Mr. Rusnack, that you had a moral—and I repeat "a moral"—and legal right, and responsibility, to stop leaks.

But, you stopped.

Mr. RUSNACK. Excuse me? Stopped what?

Mr. JOHNSTON. You stopped the investigation that would in turn stop the leaks.

Mr. RUSNACK. We have not stopped our effort to stop the leaks, sir.

We are continuing our efforts to stop leaks, and we will continue that, on and on.

But we have stopped the practice that was being used as part of this investigation to stop those leaks.

Mr. JOHNSTON. Have you hired other investigators to stop them?

Mr. RUSNACK. No, sir.

Mr. JOHNSTON. Mr. Taylor also stated that if privacy rights have been violated—and I guess he was referring to Mr. Hamel—that they have judicial recourse to do that.

Do you not have the same judicial recourse, to sue Mr. Hamel?

Mr. RUSNACK. Yes, we do.

Mr. JOHNSTON. Have you exercised that?

Mr. RUSNACK. Sir, as I mentioned to you, the decision process we went through was, No. 1, a decision whether or not to continue this investigation that we have heard about.

We decided to discontinue that.

So the second decision is: What do we do with the material? How do we use the material that has been collected to date?

We decided at that meeting that we should use that material for no purpose, because we had no idea what was there, what was the scope of it, and once we made that decision to use that material for no purpose, we in effect made the decision to not pursue litigation against Mr. Hamel, as desirable and as right as we might be in that.

We retained a law firm, Paul, Hastings, Janofsky to advise us as to the disposition of that material, and to do an investigation of what had been done.

Our attorneys came back to us and, on balance, recommended that we do not use the material because of the ramblings and the statements that are made there with regard to a variety of people on the tapes who had no involvement in this investigation and could be damaging to individuals out there.

So we decided not to use the information for any purpose because it could be misused, and we did not want this material misused in any fashion.

Mr. JOHNSTON. You know, Mr. Hamel is receiving material today, probably, and yet you still did not go to court and stop him from receiving it?

Mr. RUSNACK. We still have that right, sir.

Mr. JOHNSTON. Mr. Taylor also talked about attorney-client violations of information that has been leaked to Mr. Hamel.

The same thing happened when Wackenhut went into Mr. Hamel's garbage and trash.

Is that not correct?

Mr. RUSNACK. Would you please repeat that?

Mr. JOHNSTON. Mr. Taylor was very interested in the fact that information leaked to Mr. Hamel violated the attorney-client relationship.

I am just saying, conversely, when Wackenhut, your agent once removed, went into Mr. Hamel's garbage and trash, they extricated things out of that that were communications with Trustees for Alaska that violated attorney-client relationships.

Mr. RUSNACK. I do not want to put myself in the position, because of what I have already stated, of trying to defend anything that was done in this investigation.

But I must tell you that I believe, as Mr. Richey stated, once trash is put out, that is in effect giving up attorney-client privilege, anyway.

That is different than stealing something from within a company's office, from its use in defending itself for instance in a lawsuit. That is not a defense. It is simply a statement of what I heard from legal counsel.

Mr. JOHNSTON. In your statement, Mr. Warner, you refer to Alyeska's having begun an investigation because of the theft of documents, confidential documents.

Mr. Garibaldi, you do not use the word "confidential." Mr. Rusnack, you use "confidential" and "proprietary."

Mr. RUSNACK. That is correct.

Mr. JOHNSTON. What is your definition of "proprietary"?

Mr. RUSNACK. "Proprietary" is material that is of a nature that is important to the successful conduct of one's business, particularly in a competitive nature.

If my firm has a chemical formula for a product that gives us a competitive advantage in the marketplace, that is proprietary information to my firm.

If another competitive firm were to have access to that information so as to be able to use the technology that I had which was trying to give me a competitive advantage, that would be inappro-

priate for one of my employees, or a nonemployee to steal, leak, or provide that material to a competitor.

And, it is illegal.

Mr. JOHNSTON. Let me see if this encompasses the word "proprietary." A leak to Mr. Hamel of a violation of environmental laws, would that be proprietary information?

Mr. RUSNACK. When you say—if that information, for instance, were between an attorney of my firm—if my firm is defending itself against a lawsuit and the allegation of the violation of law is made as part of the lawsuit, and there is a discussions between my attorney in putting together the defense that I have in that lawsuit, and that is stolen and given to somebody else, that is a violation of law.

Mr. WARNER. Let me try your question.

Mr. JOHNSTON. Let me continue with Mr. Rusnack.

Mr. RUSNACK. You have to give me specifics, sir.

Mr. JOHNSTON. I will get more specific than you.

Let us say it is not involved in a lawsuit. Here is a leak of a gross violation of environmental law.

Would that come under your umbrella of proprietary information?

Mr. TAYLOR. Would the gentleman yield?

Mr. WARNER. Let me try that, sir.

Mr. JOHNSTON. No.

Mr. Rusnack.

Mr. RUSNACK. When you say "a leak of a gross violation," of what nature? Is this factual material? Is this hearsay material? What is it?

Mr. JOHNSTON. It is being leaked by your employees, so I would assume it is factual material.

The hypothetical is that your employee leaks information on dumping ballast in the Gulf Stream that has foreign material in it, that is deleterious to the environment. There is no lawsuit involved.

Is that "proprietary" information?

Mr. RUSNACK. In the sense of proprietary to the firm, it is.

If that employee has knowledge and facts that my firm would be doing something such as that and they were to take it to the proper authorities and reveal it, that is not a violation.

That is appropriate.

Mr. JOHNSTON. You were going to answer, Mr. Warner.

Mr. WARNER. I was wanting to say that, from my point of view, that a whistleblower can certainly tell about things. Telling about things and taking masses of documents may be two different things, because the documents, many times, are not necessary to make the allegation.

Mr. JOHNSTON. Mr. Taylor, I will yield now.

Mr. TAYLOR. I was going to mention, these would be alleged violations.

I think it is quite possible—because an item is leaked does not necessarily give it validity or credibility. It may be a figment of someone's imagination.

Mr. JOHNSTON. Under the law, Mr. Warner, if you become knowledgeable of a violation of an environmental law, a criminal law, by your own company, are you obligated to disclose that violation?

Mr. WARNER. I am not a lawyer. I do not know. I suspect I am, and I would.

Mr. JOHNSTON. At the meeting of September 25, when you looked at the tapes, did you discover or become knowledgeable of any violation of law by Exxon?

Mr. WARNER. No, sir, I did not.

I became familiar with some allegations that Mr. Hamel had made.

Now I personally have told Mr. Hamel, and I have told others, that if they have factual knowledge about violations of law, they ought to take those directly to the proper authorities.

I have also been familiar with, many times in the past, that Mr. Hamel has alleged violations. They generally are not specific.

They are general many times, and he often goes to the agencies.

They often—almost always—have never proven to be factual business.

The ones I heard on September 25 I had heard before, for the most part.

Mr. JOHNSTON. Be specific.

What did you hear on September the 25 that was an allegation of a violation of law by Exxon.

Mr. WARNER. I heard nothing that was an allegation of a violation of law by Exxon—I beg your pardon, sir.

I heard a comment having to do with some nefarious act off California.

It was not specific enough for me to determine that it was a violation of law.

Mr. JOHNSTON. Mr. Pace was your attorney?

Mr. WARNER. Yes, sir.

Mr. JOHNSTON. I have a copy of his notes here, sir. He states in here:

"The Florida Keyes. Exxon sold two vessels that were dumping offshore and pumping out their ballast." Do you recall that conversation?

Mr. WARNER. No, sir, I do not.

Mr. JOHNSTON. You do not?

Mr. WARNER. Ms. Pace can clarify; she tells me——

The CHAIRMAN. One second, if I might.

This was handed out yesterday, as a matter of the record.

Mr. JOHNSTON. Do we have an exhibit number? 85.3 or something, so Mr. Taylor could find it?

But you do not recall that, specifically?

Mr. WARNER. No, sir, I do not.

Mr. JOHNSTON. In your earlier testimony, you stated, when Mr. Richardson asked you about the transfer of ballast off of Florida, you said, "I did nothing until the information was transmitted to me."

Then when it was transmitted to you, what was your next step?

Mr. WARNER. I provided a copy of the allegation, the general allegation, to Mr. Gus Elmer who is the president of Exxon Shipping Company.

Mr. JOHNSTON. Do you know if they did anything?

Mr. WARNER. It is something like plus or minus 3 days from September 6.

Mr. JOHNSTON. What did they do? My question was, did Exxon Shipping Company do anything about an allegation of the violation of an environmental law?

Mr. WARNER. I do not know, sir.

Mr. JOHNSTON. You do not?

Mr. WARNER. I do not.

Mr. JOHNSTON. You do not feel it was your responsibility to follow up?

Mr. WARNER. I am Exxon Pipeline Company.

I have no direct relationship with Exxon Shipping Company, but I know Mr. Elmer and I am sure he would have taken appropriate action.

Mr. JOHNSTON. You do not have the slightest idea what that action was?

Mr. WARNER. I have none, no, sir.

Mr. JOHNSTON. Mr. Garibaldi, in questioning by Mr. Taylor about the leaks—and we elaborated on some of them being sabotage leaks, and things of that nature—you specifically stated that you did not know the knowledge of the leaks, or the specificity of what was actually leaked by the employees of Alyeska?

Mr. GARIBALDI. As a general matter, that is true. Obviously the one document we are all familiar with—and there may be others—but as a general matter, I did not know the nature of the document.

Mr. JOHNSTON. Mr. Rusnack, do you know the specific documents that were leaked?

Mr. RUSNACK. No, sir.

Mr. JOHNSTON. So you do not know if they had to do with national security, Operation Desert Shield, anything of that nature?

Mr. RUSNACK. I know, for instance, it has been stated that there were engineering drawings of a facility.

I know that there were attorney-client privileged documents relating to the defense of litigation. That is the extent of my total knowledge.

Mr. JOHNSTON. How about you, Mr. Warner?

Mr. WARNER. That is the same as mine.

Mr. JOHNSTON. So you all really do not know if it had to do with sabotage, all of these leaks? Do you confirm what Mr. Hermiller said, that all of these leaks came from inside employees of Alyeska, or contract employees?

Mr. WARNER. I cannot verify that.

I do not know, sir.

Mr. JOHNSTON. That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Rhodes.

Mr. RHODES. I would like to take you back to the September 25 meeting and your reaction when you heard Chairman Miller's name mentioned on one of the tapes that you saw.

Is that correct?

Mr. WARNER. Yes, sir.

Mr. RUSNACK. Yes.

Mr. RHODES. Let's see if I can elicit from you a little bit more of your response, your mental and your verbal response, when you heard Mr. Miller's name mentioned by Mr. Hamel on the tapes and realized that those tapes came into existence as a result of an investigation commissioned by Alyeska.

Is it fair to say that your response was one of both surprise and shock at hearing Hamel referring to Congressman Miller on a tape that came about because of this investigation?

Mr. WARNER. I would have to say, sir, that anything Mr. Hamel says would not surprise me.

He makes a lot of claims about a lot of things. But I am not trying to be terse, but that is the truth. Mr. Hamel talks a lot.

Mr. RHODES. But earlier when Mr. Taylor was asking you about the same subject, you said that you were concerned after you reviewed the tapes and after you, among other things, heard Mr. Miller's name mentioned.

Your reaction, to yourselves, was that you did not know what you had.

I am trying to pin down a little bit of what, not knowing what you had, meant to you.

Would your reaction have been something along the lines of, oh, my God, do you suppose these people have had George Miller under surveillance?

When you say it was an "expression of concern," and you did not know what you had, I am trying to figure out what you meant.

Were you worried?

Mr. RUSNACK. I have used the word—I was very concerned.

I was very uneasy, is what I would describe it. We were told very clearly that the only persons that they did any investigation of in any sense was Charles Hamel, and they were trying to find the source of his documents.

Their concern was that somehow in their thought of pursuing some litigation against Mr. Hamel that it could raise a question of, was Mr. Hamel an agent of a Congressman, and therefore we could not appropriately pursue litigation against him in that role.

But they just did not know.

My concern, we were assured in that meeting that there was no pursuit beyond what Mr. Hamel said on the tapes.

So, based on what they told me, I had no thought that they had pursued any investigation of a Congressman or a member of his staff.

When I say I "didn't know what we had," we saw 30 to 45 minutes of tape, and subsequent—they told us they had hours of tape.

We did not know what were on the other hours of tape, and we felt very strongly that we needed to know what were on the other tapes, and the total package of material that they had collected.

So when I say we did not know what we had, that is really what it refers to.

Mr. RHODES. Was trying to determine what was in that package of material, including other tapes, one of the reasons that you retained the Paul law firm, for them to review the materials?

Mr. RUSNACK. Yes, sir.

Mr. RHODES. As a result of that review, were you later satisfied that in fact Wackenhut and its operatives had not conducted any

surveillance on any Member of Congress, or congressional staff, including Mr. Miller?

Mr. RUSNACK. Yes, sir.

Mr. RHODES. Was the review specific to that point? Did the Paul firm review specifically say to you, based upon the material we have reviewed, we have concluded that there was no surveillance conducted on any Member of Congress?

Mr. RUSNACK. I remember we had an all-day meeting in about December of 1990 with the Paul, Hastings people to review.

My recollection of that meeting is that that was one of the points that they addressed, yes.

Mr. RHODES. Thank you.

I don't have any other questions.

I thought I was supposed to yield to Mr. Marlenee at this point, but Mr. Marlenee appears to have yielded to temptation, so I will yield back the balance of my time. [Laughter.]

The CHAIRMAN. Mr. Allard.

Mr. ALLARD. No questions.

The CHAIRMAN. One of the conflicts that is emerging here, and we will hear about it later, but as you review the tapes, it is difficult to pick and choose where you decide Mr. Hamel is credible or not credible.

If you decide he is credible for your purposes, my purposes, your purposes, Mr. Taylor's purposes, or somebody else's purposes, then is he not credible for other purposes?

As I think anybody who has sat through long sessions of these tapes realizes, there is almost no end to the issues and discussions of issues, personalities, experiences, and events that are not covered here.

And that obviously raises a whole array of concerns when you try to get down to shall we say the nub of the facts here.

You have been asked several times about whether or not the mere mention of my name caused you to draw back.

I must also say that the mere mention of my name caused me to leap forward.

Because, whether or not Members of the committee are fully aware of it or not, we have in fact numerous ongoing, I will use the term, relationships—you gentlemen might use something else—but relationships with the operation of your system.

Again, many of the Members of this committee were not here when it happened, but that system is by special charter of the Congress of the United States.

We recognized what that system delivers in terms of domestic energy.

There also is a very specific reservation to the people of the United States to unilaterally change that charter through the Secretary should a determination be made that the public interest is not in fact being served.

So this conflict—and it really is a conflict—I think in your own legal documents where there is a discussion of Alyeska prior to 1983–84, and the reputation, and then the question of the deterioration of that reputation. And of course the *Exxon Valdez* which puts everything back on the burner.

There is a discussion there by one of the attorneys that this has been the most investigated, prodded, poked at, and litigated corporation in America, with merit and without merit, and that has created a tension about this entire system.

You, for better or for worse, are the representatives to that system on behalf of the companies.

Within that, I think it is also apparent to a number of people that all of Mr. Hamel's charges have not been without merit.

Mr. Taylor read from the newspaper article yesterday saying that nothing was done. No further action was taken with respect to the ballast water. And of course we know that that was an intermediary step.

And, later, a lot of steps have been taken with respect to ballast water and so forth.

So I would say that one of the concerns we have raised, and for whatever reasons you pulled back, one of the reasons we came into this investigation was we were well aware that there were a number of Members of Congress who could have walked right through this sting operation.

Mr. Johnston was concerned about whether or not ballast water and toxic wastes were being dumped off of the Florida Keyes.

We know that issue. Mr. DeFazio, a Member of this committee, was involved at the same time on the question of what was going off of the Pacific Coast.

I was involved at the questions of whether dumping was taking place off of the Pacific Coast.

We were involved in that time in hearings with Mr. Hermiller and others with respect to the corrosion issue, where again there were a number of false starts on that issue. Then, finally, there was the going forward on that issue.

That is the context in which we became aware of information that we were involved in surveillance involving Mr. Hamel, and to what extent we did not know at that time. Us.

That is when this committee's jurisdiction was invoked in this process.

It is also clear, when we look at the evidence that has been submitted, that there are other Members of Congress, not members of this committee, who could have walked right through the screen here in this discussion of this sting operation.

Because, with all due respect, those who are running the sting were not terribly sophisticated in all of the issues before the Congress of the United States, and the Alaska transportation system from the Arctic Circle to Long Beach, and I guess around to the Caribbean. And it is that entire system.

So I would hope that Members of the committee would understand that it is that context when we are talking about people going around with body bugs, and phone taps, and RVs full of electronic gear, that that is the context in which this committee invoked its jurisdiction, the purpose for which was to protect that jurisdiction and the right of the Congress to engage in those investigations and the ongoing oversight of this committee in the Alaska Pipeline Act and other issues with respect to Alaska.

I just think that it is important to know that.

Furthermore, let me just say that that conflict shows up again in this very matter.

I refer again to the Paul, Hastings memorandum of this event. I guess this is not in the record yet.

This is the conference with Mr. Bilgore and Alfred T. Smith. The file is October 10, Exhibit No. 38. [See page 709.]

Let me interrupt that question and yield to Mr. Marlenee, who has a conflict. We'll come back to that.

Mr. MARLENEE. Thank you, Mr. Chairman.

Would you describe for me the location of the Point McIntyre lease?

Mr. WARNER. It is just north of Prudhoe Bay.

Mr. MARLENEE. Pardon me. I did not hear that.

Mr. WARNER. It is just north of Prudhoe Bay, within seeing distance, within a very few miles of Prudhoe Bay.

Mr. MARLENEE. Is it onshore, or offshore? Or part of both.

Mr. WARNER. It is very close. I do not know, sir.

Mr. MARLENEE. Does anyone have that information?

Mr. RUSNACK. I believe it is onshore, sir. None of us are producing people, so we can't give you that specifically.

Mr. MARLENEE. But it is close to Prudhoe Bay?

Mr. RUSNACK. Yes.

Mr. MARLENEE. And when you have a lease, what is one of the first things you do?

Mr. WARNER. Certainly the first thing you try to do is try to shut down the pipeline.

Mr. MARLENEE. When you evaluate the lease?

Mr. WARNER. Oh, I'm sorry.

Mr. MARLENEE. In evaluating the "lease," what do you do?

Mr. RUSNACK. You do a seismic evaluation of the lease to determine the geology of the lease.

Mr. MARLENEE. You do a seismic? Is there any way to tell exactly what is in that lease, or how much production that lease may yield by seismic activity?

Mr. RUSNACK. There is no exact way, sir. Basically you get an electronic reading which gives you the geology of the area and, based on expert knowledge of that geology, judgments are made as to whether there possibly may be hydrocarbons present. But there is no way to determine definitely whether hydrocarbons are present or, if present, whether they are of a sufficient quantity to be economically producible.

Mr. MARLENEE. The only way, as I understand, that you can tell whether there is production there is to drill. Is that not correct?

Mr. WARNER. Yes, sir.

Mr. RUSNACK. That is right.

Mr. MARLENEE. When did ARCO, BP, and Exxon drill the first exploration well on the lease holding, the McIntyre lease holding?

Mr. RUSNACK. I do not know the first well, sir. I do know that there was a discovery well that was drilled which was the third well, Point McIntyre, No. 3, that was drilled in early 1988 which was spudded March 12, 1988.

Mr. MARLENEE. It was spudded on March 12, 1988?

Mr. RUSNACK. That is correct.

Mr. MARLENEE. There were three previous wells?

Mr. RUSNACK. There were previous wells found not to have economic—or any hydrocarbons at all, basically "dry holes" as we call them in the industry.

Mr. MARLENEE. Thank you, Mr. Chairman. I have no further questions.

The CHAIRMAN. I thank the gentleman.

Go to the memo that I earlier referred to, Mr. Rusnack, on the bottom of page 5.

Mr. RUSNACK. Is that the full paragraph at the bottom of page 5?

The CHAIRMAN. Go down to the sentence, I think it is the second-to-the-last sentence, that begins "The memoranda themselves were shown on television programs. In addition, Alyeska personnel feel that the TAP owners do not understand their business or situation. These factors have combined to create a paranoia among the employees and a seige mentality of the Enterprise."

I do not ask you to agree or disagree with that characterization. I use it as a springboard to discussion—I am trying to find which of you in your statements talked about sort of what you now have in place to deal with the current situation.

Obviously, because you said that you are not going to go forward with the Wackenhut investigation does not mean you have given up your right to try to secure documents in the business operations, and what have you. Right?

Mr. RUSNACK. That is correct.

The CHAIRMAN. And so it seems to me that, as it was said yesterday by Mr. Hermiller, and again today, that, well, if our employees are upset, there are plenty of avenues for them to take that issue to us and to address it.

And, yet in this interview with Mr. Smith—he is general counsel for Alyeska, right?

Mr. RUSNACK. He was at that time.

The CHAIRMAN. Former, excuse me.

Mr. RUSNACK. Yes.

The CHAIRMAN. And Mr. Bilgore is ARCO's attorney.

Now this is their impression, and they don't work at Alyeska onsite, day to day. Right? Bilgore I assume is in Los Angeles?

Mr. RUSNACK. And you have to remember, this is not a transcript. This is the gentleman at Paul, Hastings' recollection——

The CHAIRMAN. This is a summation by Paul, Hastings.

Mr. RUSNACK [continuing]. And characterization of his conversation with these two gentlemen.

The CHAIRMAN. Correct.

But what concerns me, and as we look at this over the long term, is if we assume for a second that the characterization is correct, or partially correct, it becomes a key component——

Mr. RUSNACK. But I want to——

The CHAIRMAN. I am not asking you to do that, but——

Mr. RUSNACK. I wanted to make one point, also, that this was not a conversation where Mr. Bilgore and Mr. Smith were in the same conversation or room together. These were separate conversations that Mr. Burns had, one via telephone with Mr. Smith, and one personally with Mr. Bilgore. So once again, it is his melding together of two separate conversations.

The CHAIRMAN. And for that reason, let us discard your need to react to that. Let me raise the issue, if I will, that obviously your employees have leaked over a long period of time a lot of information, a lot of documents.

Mr. RUSNACK. Apparently so.

The CHAIRMAN. And only in this operation, there was the box that was recovered from a stolen car that was at EPA, and apparently sent back to trustees, and so forth.

Mr. RUSNACK. And what we don't know is, I mean there are at times over 2,000 employees in this organization. Out of those 2,000, it could be one; it could be two. When we say "employee"——

The CHAIRMAN. Right. We do not know if you have a few employees with a lot of documents, or a lot of employees with a few documents.

I do not envy you your position.

Mr. RUSNACK. That's right.

The CHAIRMAN. But somehow, whether it is a few or a lot, there is a notion that they are better off going outside of the channel.

What do you do? I mean, you are in a very contentious business. You are in a very contentious place, and you are an extremely large operation within the State of Alaska. As testified here, you are 25 percent of the domestic oil. You run in your daily business, you are involved in almost every environmental law that this Congress has created.

What do you do to assure your employees that there is in fact real avenues for the discussion and the determinations about these activities?

Mr. RUSNACK. I think, Congressman, the first thing we do, obviously, is to run the organization appropriately and maintain our vigilance in terms of obeying all environmental laws and regulations.

So the first thing we do is run the organization correctly.

The second is, we try to create an environment—in fact, in an earlier response to a question from Mr. Richardson, I mentioned that Mr. Hermiller in particular has been doing an outstanding job of trying to build a sense of teamwork, a sense of accountability in this organization.

He has, in my little over a year of association with Alyeska, we members of the Owners Committee have gone up and made presentations to employees.

I, myself, have gone up and made speeches to employees and impressed upon them the interest of the Owner Companies, as well as the management, to obey laws and regulations, and that that is the first priority of our organization, and we want all employees to do that.

And if any employee is aware of any situation, we want them to take action, whether it is to come to us, or to go to the proper authorities. We must operate this system appropriately.

So to try to create that environment and manage the organization properly is the best defense against this type of activity.

The CHAIRMAN. Mr. Garibaldi, your company is the biggest shareholder in this operation.

Mr. GARIBALDI. Yes. I think the thrust of Mr. Hermiller's efforts since he has been up there following *Exxon Valdez* has been to try to restore the pride that the employees have in the company.

I think it shook the corporate culture within Alyeska. I think there is the "seige mentality," I do not know exactly what the context is of that, but I think there is a—there was a feeling, which hopefully is being corrected, that Alyeska is being unfairly criticized for all its actions, and there is no way out of this.

I think it is a long process, and I think Mr. Hermiller has taken some very important strides in reestablishing Alyeska's credibility with the citizenry, with the governmental agencies, with the media, and so on and so forth, and that is what this program is all about.

The CHAIRMAN. You may not have this information, but is this problem uniquely an American problem? Or does BP have these problems in its overseas operations? Do you have the leaking of documents? Is this cultural?

Mr. GARIBALDI. I cannot make a comparison. I do not know. In my own personal experience, this has been—I have never seen an organization come under as much pressure from the outside world as occurred to Alyeska following the events of the Exxon Valdez spill.

The CHAIRMAN. Mr. Taylor.

Mr. TAYLOR. Mr. Chairman, I will pass at this time. Thank you.

The CHAIRMAN. Any further questions by the Members of the committee?

[No response.]

The CHAIRMAN. Mr. Garibaldi, there was some confusion raised yesterday I think with respect to the questions of the detailed billings. The committee has asked for the detailed billings with respect to this operation, the cost of the operation, and who paid for it, and what are the ongoing costs of this operation.

Can you tell us where we are with respect to those? There was some earlier discussion that Wackenhut had lost some of this information in their computer, or were unable to retrieve it because only one person had the self-destruct code where this information apparently has been stored.

It is not quite clear.

But when it all gets down to it, you guys are paying the bills here in one form or another. Do you know where we are with respect to that?

Mr. GARIBALDI. I have not looked at or talked with anyone about the cost aspects of this operation.

The CHAIRMAN. I would restate our desire on behalf of the committee to have that information in the form in which we have requested it. Whatever help you can give us with respect to that, I would appreciate it.

Mr. GARIBALDI. Yes, sir.

The CHAIRMAN. Here is where we are. Mr. Taylor, you can correct me, but Mr. Taylor is waiting for the tapes to be queued up that will enable him to ask a number of questions of this panel.

Mr. TAYLOR. Mr. Chairman, does anyone else have any questions of this panel?

The CHAIRMAN. We do not. I do not have any from our side.

Mr. TAYLOR. I will withdraw those questions. I think I can get some of my information from Mr. Hamel.

The CHAIRMAN. We will reserve your right, obviously, to submit questions to the witnesses.

Mr. TAYLOR. Then that would allow us to release these witnesses?

The CHAIRMAN. That would allow us to release these witnesses. That would be good, huh? [Laughter.]

The CHAIRMAN. Short-timers in this hearing. Thank you, very much for your testimony and for your time.

Mr. RUSNACK. Thank you, very much.

[Witnesses Garibaldi, Warner and Rusnack excused.]

The CHAIRMAN. The committee will reconvene at 1:45.

[Whereupon, at 12:20 p.m., the hearing was recessed, to reconvene at 1:45 p.m., this same day.]

[AFTER RECESSION.]

The CHAIRMAN. The committee will reconvene. If we can, can we close the hall door? Either everybody can get on this side or somebody can get on the other side, but I would appreciate it if the door would be closed during the hearing.

The committee reconvenes its oversight hearing on the Alyeska Pipeline Service Company covert operation.

The next witness is Mr. Charles Hamel, former Independent Oil Broker from Alexandria, Virginia, and Anchorage, Alaska.

Mr. Hamel, welcome to the Committee.

It is the practice of the committee to swear all witnesses who appear before it in investigative hearings. Do you have any objection to being sworn?

Mr. HAMEL. I do not.

The CHAIRMAN. Would you please stand and raise your right hand.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth?

Mr. HAMEL. I do.

[Witness Hamel sworn.]

The CHAIRMAN. Thank you.

In order to inform you of your rights as a witness before the committee and the limitations on the authority of the committee, the Rules of the House of Representatives and the committee are on the table in front of you. Both sets of the Rules have previously been provided to you.

You are advised of your right to counsel. The role of counsel would be to advise you of your constitutional rights.

Do you desire to be represented by counsel?

Mr. HAMEL. I am represented here, if I may, by my counsel, Billie Pirner Garde and J.P. Hardy of the——

The CHAIRMAN. I am sorry. I did not hear the second name.

Mr. HAMEL. J.P. Hardy, H-a-r-d-y, of the law firm of Hardy, Milutin & Johns of Houston, Texas.

I am also represented here today by Professor of Law of the District of Columbia School of Law Tom Mack, if I may.

The CHAIRMAN. Thank you.

Mr. HAMEL. I would also like to note that my wife is here and my son, David.

The CHAIRMAN. Thank you.

STATEMENT OF CHARLES HAMEL, FORMER INDEPENDENT OIL BROKER, ALEXANDRIA, VIRGINIA, AND ANCHORAGE, ALASKA

Mr. HAMEL. Chairman Miller, Members of this committee, good afternoon.

Thank you for giving me the opportunity to testify on the Alyeska investigation conducted into my business activities and my private life.

My name is Charles Hamel of Alexandria, Virginia. I introduced my wife and my son, Chuck, Jr. I would like you to know he is a Prince William Sound commercial salmon fisherman in Cordova, Alaska.

I grew up in Watertown, Connecticut, attending Assumption Prep School and a year at Assumption College in Worcester, Massachusetts. My sophomore year was at the Universit de Montpellier in France, after which I was drafted into the United States Army in Europe in the Korean War.

I served in Military Intelligence on loan to the French Army in Koblenz, Germany. Upon my honorable discharge, I remained in Europe as Administrative Officer of the Off-Shore Procurement Program, U.S. Embassy in Brussels, Belgium, in support of the U.S. forces in Korea.

In 1954 I returned home to continue my studies in foreign trade here at Georgetown University School of Foreign Service. Senator Hubert Humphrey helped me gain an elevator operator job in the Capitol. Thereafter, I was a student staff member in the offices of Senator Ralph Yarborough and Majority Leader Lyndon B. Johnson.

In 1958 I became the administrative assistant—and his first administrative assistant—to the late Senator Thomas J. Dodd of Connecticut.

Following a few years in foreign trade, I again returned to the Capitol for 2 years as executive assistant to my former prep school roommate, Senator Mike Gravel of Alaska. Among my duties as his assistant, I worked relentlessly to convince Alaska residents, commercial fishermen, Natives, and the public that the oil industry would be good for Alaska. It would surely build an environmentally sound pipeline and port terminal. Prior to construction, I traveled the 800-mile right-of-way from Prudhoe Bay to Valdez.

In the foreign trade business, I worked mainly as a management consultant, and commodities, ship, and cargo broker/agen

In fact, I was provided Exxon documents that proved that Exxon, ARCO, and British Petroleum were quite aware of the water problem.

I had sincerely believed that the Alaska oil executives and owners of the Alyeska Pipeline would take prompt corrective action. Nothing was done.

Instead, they denied the truth and apparently hoped that I would forget about my business, the damage to my credibility and reputation, and my lost income. I could not do that then, or now.

I built my business not only on hard work, but on the honesty of my word. When the Alyeska owners cheated my clients, they were in effect cheating me out as a dishonest businessman before my own clients.

In 1985, I decided to expose the dishonesty of the oil industry in regards to the water-in-the-oil issue, and attempted to ensure that there was some accountability of the industry in connection with their business practices.

By this time, I had also come to the conclusion that the oil industry was turning Alaska into an environmental disaster. Employees I talked to in Valdez, friends I knew in the industry, people I had worked with for years, were all discussing the dismal performance of Alyeska in regards to their commitment to environmental and worker safety.

I realized that I was not the only victim of the dishonesty of the oil industry in Alaska. We were all victims, and no one was doing anything about it.

We were living in a conspiracy of silence waiting for an environmental disaster to occur and, as you know, it did. I decided I had to do something to prove to the public that the oil industry had violated their legal and moral obligations to Alaska.

The more I heard, the angrier I got about what was going on. Alyeska was polluting the water by introducing toxic sludge, including cancer-causing benzene, into the pristine waters of Port Valdez and Prince William Sound.

Alyeska was poisoning the Valdez fjord's air by venting extremely hazardous hydrocarbon vapors directly into the atmosphere. There was no regulatory oversight, and thus no regulatory violations. It was if the the environmental regulations of the United States did not even apply north of the Canadian Border—no regulators, no oversight, no enforcement, nothing.

In fact, the oil industry was not putting out anything but poison and lies.

In order to pursue the excessive water-in-the-oil matter, I filed an administrative complaint with the Alaska Public Utilities Commission, the APUC. At the hearing, former Alyeska employee Erlene Blake, at great risk, testified that as senior laboratory technician responsible for testing the amount of water in the oil, she continually discovered excessive water in the oil, but had been directed by her supervisors to falsify the log entries to show only acceptable levels in the samples.

During this same period, she was required to falsify laboratory analysis with regard to water quality. The reports to the U.S. Environmental Protection Agency, the EPA, were false.

Because she was so troubled by those instructions, as suggested by an assistant lab technician, she secretly maintained log books of duplicate entries, recording the true lab analysis beside the falsified data—a red book for the water and oil, and a yellow log book for the EPA violations.

Alyeska adamantly denied her allegations and discredited her testimony by claiming she couldn't produce the notebooks with the

double entries of oil and water. In fact, Ms. Blake did not produce the logs because an Alyeska supervisor broke open her personal locker and stole them.

She couldn't prove her allegations, and neither could I. But we knew it was true, and so did Alyeska.

Not long after the hearing, I was contacted by an Alyeska employee, Bob Scott. Two Alyeska supervisors boasted to Mr. Scott and several fellow technicians that the log books had been removed from the locker, had not been destroyed, and were not produced as required by the APUC subpoena.

He was ashamed of Alyeska management's illegal actions. He knew that Alyeska had cheated me, had deceived the PUC, and had discredited one of their own honest employees. He also knew that Alyeska was violating numerous environmental and worker safety regulations.

Bob Scott was among the first of many employees that provided me information about violations of environmental regulations by Alyeska. As I learned of these abuses, I in turn provided the information to the appropriate Government agencies responsible for investigating these matters, including EPA, the General Accounting Office, and the Alaska Department of Environmental Conservation, the Attorney General of the United States, and the Director of the GAO.

In the beginning, it was very difficult to get any Government action on the employees' allegations. I then turned the information over to the press, and sometimes to Members of Congress.

There was a profound skepticism everywhere that the oil industry would knowingly pollute the environment and harm their own employees in Alaska.

The Alyeska public relations campaign was working. Few newspapers would print the facts. Few regulators would even listen. Alyeska tried hard to discredit me by attacking my motives, my sources of information, my credibility, and attempted to portray me as a vengeful, if not slightly insane, opponent of the oil industry.

But their "kill the messenger" approach backfired. It seemed that the harder Alyeska tried to discredit me publicly, the more their employees came to me with information privately. In fact, frequently the public denial of facts, known to be true to Alyeska employees, led those employees to my doorstep.

By the end of 1985, I had provided substantial documentary evidence to the EPA about environmental wrongdoing by Alyeska. Rather than deal honestly with these facts, Alyeska sued the EPA to force disclosure of the documents.

The U.S. District Court and the U.S. Court of Appeals, I am grateful to say, denied Alyeska access to the documents because to do so could have identified my sources who feared retaliation.

In 1985, the oil industry attempted to find out what it would take to make me go away. As requested, I calculated my actual business losses at $12 million. I also insisted that action be taken to clean up the environmental issues I had raised, including an audit of the Valdez terminal; a pollution monitoring program funded by Alyeska and run by an independent group not accountable to the oil industry; and a medical monitoring fund for the Alyeska technicians who had been needlessly exposed to toxic vapors.

The industry obviously was not prepared to meet those demands to get rid of me. I continued to receive information from employees: horror stories of poison and pollution which I conveyed to the media, Congress, and Government agencies.

Alyeska had to be dragged, kicking and screaming, through each corrective action. However, it was apparent to the fishing community leaders like Dr. Riki Ott and Rick Steiner of Cordova, my loyal supporters throughout the years, that a major disaster was eminent.

Early in 1985, the severity of the problems demanded congressional intervention and your committee's majority staff agreed. But within weeks, the *Exxon Valdez* oil spill occurred—1989, I apologize there—and everything in Alaska changed forever.

The allegations I had been pointing out to the EPA for years to no avail were suddenly "high priority," and even the public began to doubt the public relations departments of the oil industry.

The day after the spill, leaders of the fishing community and the fish processors telephoned for my help. I immediately flew to Valdez to do what I could.

In addition to helping the fishermen, I assisted this committee and its majority and minority staff and counsel with housing and support services during their onsite investigation, and also provided a network of information to members of the media who were attempting to provide accurate coverage.

As with most disasters, even the oil spill brought out the best of people in Alaska trying to help. I made numerous new friends, and put old friends together with new ones. The evidence continued to mount.

The more information I was provided, the more disgusted I became. The more disgusted I became, the harder it was to ignore the information that employees provided me.

What I perceived as the "Sovereign State of Alyeska" continued to operate as a company without accountability, beyond regulation, absent a corporate conscience. I desperately wanted to go on with my life, to leave behind me the disillusionment that I felt, to do what other men at my age are doing—walking on the beach with their wife, enjoying the hard-earned fruits of their labor.

Instead, the fruits of my labor were stolen from me, and the peace and contentment I tried to achieve were replaced by worrying and concern for those people who turned to me for help. Personally, these were terrible, dark nights for Kathy and me—and it went on, for years.

One day in April 1990, a Dr. Wayne Jenkins came to me. He described his company, Ecolit Group, as a well-funded group of attorneys who wanted to help me. They would provide me the tools to protect those workers who had turned to me for help.

Ecolit could help protect their jobs and supply me support staff and assistance to manage what had become a full-time, financially costly job of protecting whistleblowers and coordinating Government investigations. I thought it was too good to be true.

As I wrote a note to my Anchorage attorney and faithful supporter, Julian Mason, Ecolit was "the stuff that dreams are made of."

This Ecolit Group showed up in answer to a dilemma that seemed to have no end for me. I was tired, almost broke, and broken in spirit. I wanted to be able to turn the reins of these responsibilities over to someone else. My wife had been caring for her invalid parents in Washington State without my help. It seemed as if we had spent a decade fighting to keep what we had, losing our assets, and becoming the only hope for many Alaskans who turned to us for help, for no one else was there for them to turn to.

The Ecolit Group seemed such a perfect answer. Dr. Jenkins was anxious to learn all about my congressional contacts, my informants, interested media, and my plans. He expressed moral outrage at the environmental wrongs being committed by the oil industry, and was anxious to provide legal support to stop the polluting, the dumping, and other wrongs that I revealed to him.

Now that I have had the opportunity to review the transcripts of the tapes of my meetings with Wayne Black, I am embarrassed at many of the things that I said trying to get him interested in helping to do the right things without compromising my sources.

Obviously I did compromise many of them. Inadvertently, of course, but nonetheless I let them down—and I will have to deal with that.

I also let this committee down. In my zeal to find an answer to the problems I was facing—no resources and increasing obligations to more and more people—I exaggerated my influence with this committee and I exposed information that I had been entrusted with my committee staffers.

In my business activities, I knew that if it sounds too good to be true, it probably isn't true. In this instance, I failed to recognize the warnings that should have tipped me off to Ecolit's true purpose.

Yet, I could never have known nor little imagined the extent of the betrayal of my trust. The details of the Wackenhut surveillance are now well known. Alyeska authorized the stealing of our trash, monitoring and taping our telephone calls, concealing video cameras in hotel rooms, stealing our mail, and illegally obtaining our personal financial information.

Alyeska successfully launched an internal "witch hunt" to target everyone who had communications with me. Unfortunately, many people who don't even know me are being taken here. By illicitly obtaining AT&T telephone records, they identified the people who we called nationwide and people who called us, and, worst of all, violated my confidences with people who trusted me.

Bob Scott was fired.

He lost his home.

And he lost his retirement.

Others have lost their jobs, become suspected of being sources of information, and now live in fear of being monitored by their employer. All that I tried to do to help stop Alyeska's wrongdoing was being turned upside down by them.

I am repeatedly asked how all this makes me feel. When I first learned of the surveillance activities, I was afraid for my family and friends.

Next, I became angry—furious that Alyeska would stoop to dishonesty, deception, and theft out of paranoia that the trust would somehow find its way to the public.

It is the classic psychological projection when Alyeska justifies their elaborate sting operation by claiming that I had "stolen" their documents.

I never picked through Alyeska's trash, broke into its office, taped their phone calls.

I never posed as one of their own.

I never attempted to destroy their careers or, worse, invade their families' privacy.

I have always done exactly as I said I was going to do: insist on responsible environmental management of the oil industry in Alaska.

Today, I am simply saddened and disgusted but, in a strange way, grateful and relieved that this entire incident has come to light, because it demonstrates better than I could ever do that Alyeska and its owners cannot be trusted.

The last 10 years of my life have been spent trying to warn the public that Alyeska and Exxon cannot be trusted with our natural resources. They cannot be trusted as business partners. They cannot be trusted about their alleged claim that we desperately need more oil.

It is now up to the Congress to sort out the truth from all the lies.

In 1988, ARCO, Exxon, and British Petroleum failed to tell this committee about the existence of the Point McIntyre billion barrel oil field directly under the West Dock—which many of you have seen—virtually in sight of the Alyeska Pipeline, while they were testifying that Prudhoe Bay was running dry.

In fact, both ARCO and Exxon knew that they had discovered the Point McIntyre field years earlier.

In 1989, my general partner, Exxon, told me that our Point McIntyre leases were dry.

I sold my interest in the leases for what Exxon told me was a fair price. Several weeks after selling Exxon my interests, the major discovery was announced. Once again, they lied to you, they lied to the Congress, they lied to the public, and they defrauded all of us.

The public relations department of the oil industry, their lawyers and lobbyists desperately want this committee and the public to believe that I attempted to humiliate the oil industry in retaliation for the economic losses I suffered.

Alyeska and the oil industry have tried desperately for years to convince themselves and the public that I am an extortionist—a businessman motivated to expose environmental wrongs for personal profit.

The truth is that the oil companies were, and continue to be, motivated to ignore environmental wrongs to increase corporate assets.

Do not misunderstand me.

I believe that responsible oil development is necessary to our national interest. However, Alyeska and its oil company owners believe that in order for someone to be for the oil business, one must

also be against environmental protections that might stand in the way of corporate profits.

I refuse to believe that fallacy, and I certainly refuse to conduct myself and my activities in a manner that these members of the oil industry find acceptable.

I refuse to believe that the only way to advocate for a clean environment and regulatory compliance is to take a vow of poverty and join a not-for-profit environmental organization.

I also refuse to believe that I must choose between pursuing the economic damage that I have been caused by Exxon and the other Alyeska owners and insisting that they clean up their environmental act.

Most importantly, I refuse to believe that any citizen of this country has to tolerate the invasion of privacy that I have been subjected to simply because I have exercised my constitutional rights and responsibilities as a citizen to petition Congress and to assist the news media in a presentation of facts and evidence that certain members of the oil industry have chosen to ignore.

I may not ever be able to walk on the beach with my wife in peace, or to recoup the money that I have been cheated out of, but both my wife and I will know that we have done everything within our power to keep the beaches clean for our children and our grandchildren.

As a final note, I want to state publicly how deeply my wife and I appreciate the courage and honesty of the former Wackenhut employees and investigators who came forward and told the truth.

The Nation and Alaska are better because of the integrity of these people.

Had it not been for Rafael "Gus" Castillo, Ana Contreras, Sherree Rich, Ricki Jacobson—who was a victim, just like I was; Adriana Caputti, Mercy Cruz, David Ramirez, and others, none of this would have come to light. These are brave individuals who had nothing to gain by coming forward, but had much to lose.

Each of these employees, like the many Alyeska employees who took similar risks to bring forward the truth about Exxon and Alyeska's activities, have more integrity than the oil industry could ever buy, and more courage than Alyeska could ever defeat.

Thank you for giving me the opportunity to testify, and I would be glad to answer any questions that you may have.

[Prepared statement of Mr. Hamel follows:]

CHARLES HAMEL

Chairman Miller, Members of the Committee, Good Afternoon.

Thank you for giving me the opportunity to testify on the Alyeska investigation conducted into my business activities and my private life.

My name is Charles Hamel, of Alexandria, Virginia. May I introduce my wife, Kathleen Morgan Hamel and my son Chuck, Jr., Prince William Sound commercial salmon fisherman of Cordova, Alaska. Accompanying me this afternoon is my friend and counsel, Billie Pirner Garde.

I grew up in Watertown, Connecticut, attending Assumption Prep School and a year at Assumption College in Worcester, Massachusetts. My sophomore year was at the Université de Montpellier in France, after which I was drafted into the United States Army in Europe during the Korean War. I served in Military Intelligence on loan to the French Army in Koblenz, Germany. Upon my honorable discharge, I remained in Europe as Administrative Officer, Off-Shore Procurement Program, United States Embassy, in Brussels, Belgium, in support of the U. S. forces in Korea. In 1954 I returned home to continue my studies in foreign trade here at Georgetown University School of Foreign Service. Senator Hubert Humphrey helped me gain an elevator operator job in the Capitol. Thereafter I was a student staff member in the offices of Senator Ralph Yarborough and Majority Leader Lyndon B. Johnson.

In 1958 I became the Administrative Assistant to the late Senator Thomas J. Dodd of Connecticut. Following years in foreign

trade, I again returned to the Capitol for two years as Executive Assistant to my former prep school roommate, Senator Mike Gravel of Alaska. Among my duties, as his assistant, I worked relentlessly to convince Alaska residents, commercial fishermen, Natives and the public that the oil industry would be good for Alaska and would surely build an environmentally sound pipeline and port terminal. Prior to construction, I traveled the 800 mile right-of-way from Prudhoe Bay to Valdez.

In the foreign trade business, I worked mainly as a management consultant, and commodities, ship and cargo broker/agent. In this capacity, I had the opportunity to represent foreign countries and arrange purchases of grain and other commodities on their behalf. Once I negotiated the purchase, I would arrange the ocean transportation of those commodities to other parts of the world. I also brokered the sale of oil and arranged long term crude tanker contracts. Eventually, I became an independent oil and shipping broker. In addition I acquired partial ownership in oil leases in Alaska and the lower U.S. I worked very hard and was fortunate enough to be very successful for a period of years.

In 1980, all my hard work and success began to fall apart when my clients discovered that they were not getting the crude that they were paying for, but were instead receiving oil that was significantly diluted with water. I could not cover the losses and by 1982 I had lost my clients, my source of income, and my credibility in the eyes of the business community I represented. From that point forward I began to lose everything I had worked for

over the years.

At first, Exxon executives led me to believe the dilution problem was caused by malfeasance at the Panama Canal transshipment point. My investigations in Panama proved otherwise. I brought my discoveries to the attention of Exxon and other oil company executives who I had come to know personally over the years. However, soon I realized that the water in the oil was no mistake and it was, by no means, limited to me or my clients. In fact, I was provided Exxon documents that proved that Exxon, Arco and British Petroleum were quite aware of the water problem.

I had sincerely believed that the Alaska oil executives and Owners of the Alyeska Pipeline would take prompt corrective action. Nothing was done. Instead they denied the truth, and apparently hoped that I would forget about my business, the damage to my credibility and reputation, and my lost income. I could not do that then, or now. I built my business not only on hard work but on the honesty of my word. When the Alyeska owners cheated my clients, they were, in effect, making me out as a dishonest businessman before my own clients.

In 1985, I decided to expose the dishonesty of the oil industry in regards to the water in the oil issue, and attempted to insure that there was some accountability of the industry in connection with their business practices. By this time I had also come to the conclusion that the oil industry was turning Alaska into an environmental disaster. Employees I talked to in Valdez, friends I knew in the industry, people I had worked with for years

were all discussing the dismal performance of Alyeska in regards to their commitment to environmental and worker safety.

I realized that I was not the only victim of the dishonesty of the oil industry in Alaska - we were all victims, and no one was doing anything about it. We were living in a conspiracy of silence waiting for an environmental disaster to occur and, as you know, it did. I decided that I had to do something to prove to the public that the oil industry had violated their legal and moral obligations to Alaska. The more I heard, the angrier I got about what was going on. Alyeska was polluting the water by introducing toxic sludge, including cancer-causing benzene, into the pristine waters of Port Valdez and Prince William Sound. Alyeska was poisoning the Valdez fjord's air by venting extremely hazardous hydrocarbon vapors directly into the atmosphere. There was no regulatory oversight, and thus no regulatory violations. It was as if the environmental regulations of the United States did not even apply north of the Canadian Border - no regulators, no oversight, no enforcement -- nothing. In fact, the oil industry wasn't putting out anything but poison and lies.

In order to pursue the excessive water in the oil matter, I filed an administrative complaint with the Alaska Public Utilities Commission ("APUC"). At the hearing, former Alyeska employee, Erlene Blake, at great risk, testified that, as senior laboratory technician responsible for testing the amount of water in the oil, she continually discovered excessive water in the oil, but had been directed by her supervisors to falsify the log entries to show only

acceptable levels in the samples. During this same period, she was required to falsify laboratory analysis with regard to water quality. The reports to the United States Environmental Protection Agency ("EPA") were false. Because she was so troubled by those instructions, as suggested by an assistant lab tech, she secretly maintained log books of duplicate entries, recording the true lab analysis beside the falsified data -- a red book for the water in oil and a yellow log book for the EPA violations.

Alyeska adamantly denied her allegations and discredited her testimony by claiming she couldn't produce the notebooks with the double entries of oil and water. In fact, Ms. Blake could not produce the logs because an Alyeska supervisor broke open her personal locker and stole them. She couldn't prove her allegations, and neither could I. But we knew it was true. So did Alyeska.

Not long after the hearing I was contacted by an Alyeska employee - Bob Scott. Two Alyeska supervisors boasted to Mr. Scott and several fellow technicians that the log books had been removed from her locker, had not been destroyed and were not produced as required by the APUC subpoena. He was ashamed of Alyeska management's illegal actions. He knew that Alyeska had cheated me, had deceived the APUC, and had discredited one of their own honest employees. He also knew that Alyeska was violating numerous environmental and worker safety regulations.

Bob Scott was among the first of many employees that provided me information about violations of environmental regulations by

Alyeska. As I learned of these abuses, I in turn, provided the information to the appropriate government agencies responsible for investigating these matters, including EPA, the General Accounting Office and the Alaska Department of Environmental Conservation. In the beginning it was very difficult to get any government action on the employee's allegations. I then turned the information over to the press and, sometimes, to members of Congress. There was a profound skepticism everywhere that the oil industry would knowingly pollute the environment and harm their own employees in Alaska. The Alyeska public relations campaign was working. Few newspapers would print the facts. Few regulators would even listen.

Alyeska tried hard to discredit me by attacking my motives, my sources of information, my credibility, and attempting to portray me as a vengeful - if not slightly insane - opponent of the oil industry. But their "kill the messenger approach" backfired. It seemed that the harder Alyeska tried to discredit me publicly, the more their employees came to me with information privately. In fact, frequently the public denial of facts, known to be true to Alyeska employees, led those employees to my doorstep.

By the end of 1985, I had provided substantial documentary evidence to the EPA about environmental wrongdoing by Alyeska. Rather than deal honestly with these facts, Alyeska sued the EPA to force disclosure of the documents. The United States District Court, and the U.S. Court of Appeals, I am grateful to say, denied Alyeska access to the documents because to do so could have

identified my sources, who feared retaliation.

In 1985 the oil industry attempted to find out what it would take to make me go away. As requested, I calculated my actual business losses at $12 million dollars. I also insisted that actions be taken to clean up the environmental issues I had raised, including an audit of the Valdez terminal, a pollution monitoring program funded by Alyeska and run by an independent group not accountable to the oil industry, and a medical monitoring fund for the Alyeska technicians who had been needlessly exposed to toxic vapors. The industry obviously was not prepared to meet those demands to get rid of me.

I continued to receive information from employees -- horror stories of poison and pollution which I conveyed to the media, Congress and government agencies. Alyeska had to be dragged kicking and screaming through each corrective action. However, it was apparent to fishing community leaders like Dr. Riki Ott and Rick Steiner of Cordova, my loyal supporters throughout the years, that a major disaster was imminent. Early in 1989 the severity of the problems demanded Congressional intervention and your Committee's Majority staff agreed. But within weeks the Exxon Valdez oil spill occurred, and everything in Alaska changed forever. The allegations I had been pointing out to the EPA for years to no avail were suddenly "high priority," and even the public began to doubt the public relations departments of the oil industry.

The day after the spill, leaders of the fishing community and

fish processors telephoned for my help. I immediately flew to Valdez to do what I could. In addition to helping the fishermen, I assisted this Committee with housing and support services during their on site investigation, and also provided a network of information to members of the media who were attempting to provide accurate coverage. As with most disasters, even the oil spill brought out the best of people in Alaska trying to help. I made numerous new friends, and put old friends together with new ones. The evidence continued to mount.

The more information I was provided, the more disgusted I became. The more disgusted I became, the harder it was to ignore the information that employees provided me. What I perceived as the "Sovereign State" of Alyeska, continued to operate as a company without accountability, beyond regulation, absent a corporate conscience. I desperately wanted to go on with my life, to leave behind me the disillusionment that I felt, to do what other men at my age are doing -- walking on the beach with their wife, enjoying the hard earned fruits of their labor. Instead, the fruits of my labor were stolen from me, and the peace and contentment I tried to achieve were replaced by worrying and concern for those people who turned to me for help. Personally, these were terrible, dark nights for Kathy and me. And it went on for years.

One day in April, 1990, a Dr. Wayne Jenkins came to me. He described his company, Ecolit Group, as a well funded group of attorneys who wanted to help me. They would provide me the tools to protect those workers who had turned to me for help, Ecolit

could help protect their jobs, and supply me support staff and assistance to manage what had become a full time, financially costly, job of protecting whistleblowers and coordinating government investigations. I thought it was too good to be true.

As I wrote in a note to my Anchorage attorney and faithful supporter, Julian Mason, Ecolit was "the stuff that dreams are made of." This Ecolit Group showed up in answer to a dilemma that seemed to have no end for me. I was tired, almost broke, and broken in spirit. I wanted to be able to turn the reins of these responsibilities over to someone else. My wife had been caring for her invalid parents in Washington State without my help. It seemed as if we had spent a decade fighting to keep what we had, losing our assets, and becoming the only hope for many Alaskans who turned to us for help, for no one else was there for them to turn to.

The Ecolit Group seemed such a perfect answer. Dr. Jenkins was anxious to learn all about my Congressional contacts, my informants, interested media, and my plans. He expressed moral outrage at the environmental wrongs being committed by the oil industry, and was anxious to provide legal support to stop the polluting, the dumping and other wrongs that I revealed to him. Now that I have had the opportunity to review the transcripts and tapes of my meetings with Wayne Black, I am embarrassed at many of the things that I said trying to get him interested in helping to do the right things without compromising my sources.

Obviously I did compromise many of them. Inadvertently, of course, but nonetheless, I let them down and I will always have to

deal with that. I also let this Committee down. In my zeal to find an answer to the problems I was facing - no resources and increasing obligations to more and more people - I exaggerated my influence with this Committee and I exposed information that I had been entrusted with by Committee staffers. In my business activities I knew that if it sounds too good to be true, it probably isn't true. In this instance, I failed to recognize the warnings that should have tipped me off to Ecolit's true purpose.

Yet, I could never have known nor little imagined the extent of the betrayal of my trust. The details of the Wackenhut surveillance are now well known. Alyeska authorized the stealing of our trash, monitoring and taping our telephone calls, concealing video cameras in hotel rooms, stealing our mail, and illegally obtaining our personal and financial information. Alyeska successfully launched an internal "witch hunt" to target everyone who had communications with me. By illicitly obtaining AT&T telephone records they identified the people who we called nationwide and people who called us, and - worst of all - violated my confidences with people who trusted me. Bob Scott was fired, lost his home, lost his retirement. Others have lost their jobs, become suspected of being sources of information and now live in fear of being monitored by their employer. All that I tried to do to help stop Alyeska's wrongdoing was being turned upside down by them.

I am repeatedly asked how all this makes me feel. When I first learned of the surveillance activities I was afraid for my

family and friends. Next I became angry, furious that Alyeska would stoop to dishonesty, deception and theft out of paranoia that the truth would somehow find its way to the public. It is the classic psychological projection when Alyeska justifies their elaborate sting operation by claiming that I had "stolen" documents. I never picked through Alyeska's trash, broke into its offices, taped their phone calls. I never posed as one of their own. I never attempted to destroy their careers, or worse, invade their families' privacy. I have always done exactly as I said I was going to do -- insist on responsible environmental management of the oil industry in Alaska. Today I am simply saddened and disgusted; but, in a strange way, grateful and relieved that this entire incident has come to light because it demonstrates better than I could ever do that Alyeska, and its owners, cannot be trusted.

The last ten years of my life have been spent trying to warn the public that Alyeska and Exxon cannot be trusted with our natural resources, they cannot be trusted as business partners, and they cannot be trusted about their alleged claim that we desperately need more oil. It is now up to the Congress to sort out the truth from all the lies.

In 1988, ARCO, Exxon and British Petroleum failed to tell this Committee about the existence of the Pt. McIntyre billion barrel oil field directly under the West Dock, virtually within sight of the Alyeska Pipeline, while they were testifying that Prudhoe Bay was running dry. In fact, both ARCO and Exxon knew that they had

discovered the Pt. McIntyre field years earlier. In 1989, my General Partner, Exxon, told me that our Pt. McIntyre leases were dry. I sold my interest in the leases for what Exxon told me was a fair price. Several weeks after selling Exxon my interests, the major discovery was announced. Once again, they lied to you, they lied to the Congress, they lied to the public, and they defrauded us all.

The public relations departments of the oil industry, their lawyers and lobbyists desperately want this Committee and the public to believe that I attempted to humiliate the oil industry in retaliation for the economic losses I suffered. Alyeska and the oil industry have tried desperately for years to convince themselves and the public that I am an extortionist - a businessman motivated to expose environmental wrongs for personal profit. The truth is that the oil companies were and continue to be motivated to ignore environmental wrongs to increase corporate assets. Do not misunderstand me, I believe that responsible oil development is necessary to our national interest. However, Alyeska and its oil company owners believe that in order for someone to be "for" the oil business, one must also be "against" environmental protections that might stand in the way of corporate profits. I refuse to believe that fallacy, and I certainly refuse to conduct myself and my activities in a manner that these members of the oil industry find acceptable.

I refuse to believe that the only way to advocate for a clean environment and regulatory compliance is to take a vow of poverty

and join a not-for-profit environmental organization. I also refuse to believe that I must choose between pursuing the economic damage that I have been caused by Exxon and the other Alyeska owners and insisting that they clean up their environmental act.

Most importantly, I refuse to believe that any citizen of this country has to tolerate the invasion of privacy that I have been subjected to simply because I have exercised my Constitutional rights and responsibilities as a citizen to petition Congress, and to assist the news media in the presentation of facts and evidence that certain members of the oil industry have chosen to ignore. I may not ever be able to walk on the beach with my wife in peace or to recoup the money that I have been cheated out of, but both my wife and I will know that we have done everything within our power to keep the beaches clean for our children and grandchildren.

As a final note I want to state publicly how deeply my wife and I appreciate the courage and honesty of the former Wackenhut employees and investigators who came forward and told the truth. The nation and Alaska are better because of the integrity of these people. Had it not been for Rafael "Gus" Castillo, Ana Contreras, Sherree Rich, Ricki Jacobson, Adriana Caputti, Mercedez Cruz, and others, none of this would have come to light. These are brave individuals, who had nothing to gain by coming forward, but had much to lose. Each of these employees, like the many Alyeska employees who took similar risks to bring forward the truth about Exxon and Alyeska's activities, have more integrity than the oil industry could ever buy and more courage than Alyeska could ever

defeat.

Thank you for giving me the opportunity to testify and I will be glad to answer any questions that you may have.

The CHAIRMAN. Thank you very much, Mr. Hamel, for your testimony.

The committee will take a short recess for the purposes of some discussions in the anteroom here.

Thank you.

[After recess.]

The CHAIRMAN. The committee will reconvene.

We thank people for sitting through the recess.

Are there any questions of Mr. Hamel?

[No response.]

The CHAIRMAN. If there are none, Mr. Hamel, let me thank you very much for your testimony.

Let me say to you, as I have to other panels that have been before us, first of all, thank you for your time, your trouble, and your testimony.

We reserve the right to recall you, as we have the other panels. This is an ongoing investigation into this matter.

To those who have appeared prior to this, to the people who have sat through these hearings, we would make the same availability of this committee that we have in most of these hearings. That is, simply, that the record of this hearing will remain open for an additional 2 weeks so that anybody who has listened to this—we are already receiving fax's and so forth as a result of this hearing—people who believe they have information that would be helpful to us, or if they have listened to testimony that they take issue with, either witnesses who have appeared or not, this record will be held open for that purpose.

That also extends to you, Mr. Hamel.

Mr. HAMEL. I thank you.

The CHAIRMAN. Thank you very much.

The committee is now adjourned.

[Whereupon, at 2:58 p.m., the hearing was adjourned, subject to the call of the Chair.]

APPENDIX

NOVEMBER 5 and 6, 1991

ADDITIONAL MATERIAL SUBMITTED FOR THE HEARING RECORD

TESTIMONY OF

MERCEDES ILIANA CRUZ

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

OF THE UNITED STATES CONGRESS

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

2226 Rayburn House Office Building

Washington, D.C.

Good afternoon, Chairman Miller and Members of this Subcommittee.

My name is Mercedes Iliana Cruz. I am testifying today in response to a subpoena about my employment with the Wackenhut Corporation.

I began working part-time with Wackenhut on July 5, 1990 and was terminated on April 10, 1991. I worked 20 to 30 hours a week at Wackenhut in addition to my full-time job at Op-Locka Airport for Metro Dade County in airfield operations.

I was employed to work in Special Investigations Division (hereinafter "SID") as an Analyst. My job as an Analyst was looking for patterns in phone calls, accessing data bases through the computer for various information on persons being investigated, such as: social security; verification; corporate checks; property checks for ownership; and, fictitious names. I began the Alyeska project by building a large data base of phone tolls that involved a lot of time with data entry. I received half sheets of paper of computer generated tolls, similar to a telephone bill, containing the number called, city and duration of call. Mr. Hamel had three lines. I also had the home phone numbers of Alyeska's top personnel, legal department, and secretaries to see if they ever called Mr. Hamel or anyone else that Mr. Hamel may have called on his tolls.

I was hired specifically for Case Number 427, the Alyeska case, and was told the purpose of the case was to get information on Mr. Hamel. Our client, Alyeska, had been having trouble with

Mr. Hamel because he was telling the media, Congress, environmental regulatory agencies, and attorneys about Exxon and Alyeska's wrongdoing and illegal actions in Alyeska. I was told that Mr. Hamel was doing this because he had been an oil broker and felt he was cheated by Exxon and Alyeska.

My first assignment was to put all the toll calls from Mr. Hamel's home in Virginia from all over the country into a data base. I took over the job from Ana Contreras. From that data base we looked for patterns of calls similar to the ones Alyeska employees made. I also input tolls from the internal telephone logs of Alyeska and matched them to see if there was any correlation between the two data bases. First, numbers on the telephone list were called in an attempt to find out who was being called by Mr. Hamel. Various stories were made up to get the person who Mr. Hamel called to identify themselves and the relation to Mr. Hamel. There were hundreds of calls. As names were obtained, they were entered into the data base. Certain names and numbers were flagged and highlighted on the printouts. Several specific names that I recall as being "flagged" and highlighted were the law firm of Groh, Eggers and Price, Robert Scott, Sea Hawk Seafood, Stan Stephens and a software store. The tolls were input from December 1989 through May, 1990.

The tolls were given to me by Rick Lund (whose alias was John Foxx). I do not know where or how he got them. Rick Lund was the System Administrator and entered SID employees in the computer and passed out the passwords. Rick Lund specialized in TSCM (Technical Surveillance Counter Measures) which was "electronic spying."

There were no tolls after May 1990. After that Rick Lund couldn't get any more tolls, he told me that he didn't know why there weren't any more tolls and wondered if Mr. Hamel had changed his long distance service. He attempted to get the missing months from other sources in other phone companies but was unsuccessful.

Other surveillance was attempted on a Congressman, but I don't recall the Congressman's name. I don't know what the objective was, or how much, if anything, was accomplished.

There was a direct telephone line into the SID office called the "Hello line" which was answered, "Hello, may I help you?" and was to be answered this way at all times. It is my belief that calls into this line were always recorded and was a direct line into SID, bypassing the Wackenhut switchboard. It was for undercover assignments when the investigators did not want to give out their home number, so they used this number.

At some point prior to my employment, I was aware that Wayne Black went to Alaska with other members of the SID unit. I do not recall the exact date, with whom he met, or how long he was there.

Another one of my assignments was to take a recreational vehicle to Alexandria, Virginia, for use in the undercover operation.

On August 10, 1990, Adriana Caputi and I left the Wackenhut Corporation to drive a recreational vehicle full of electronic equipment to our destination. The RV was loaded by Rick Lund and Vern Johnson. While the RV was being loaded, Adriana and I received direct instructions from Mr. Wayne Black as to routing and securing the RV as well as checking into SID while enroute. Prior

to departure we were given a memo regarding the Florida Statutes on what private investigators could and could not disclose if we were stopped and assuring us that our activities were legal because of a reciprocal agreement between Virginia and Florida. (See attached letter from Wayne Black.)

We arrived in Arlington on August 11th and checked into the Marriott at Crystal City, Virginia. The RV was used to transport sensitive and expensive electronic surveillance equipment without damage to the equipment, without going through the airport security and without any outsiders' knowledge, as well as to provide a listening post to be parked near Mr. Hamel's house for the investigators in Alexandria. Some of the electronic equipment loaded was a computer hard drive, monitor, keyboard, several cables, printer, optical scanner, a CD ROM disk drive, small surveillance cameras, several miscellaneous wires, tools, radios, walkie-talkies, and one portable phone. The camper and equipment were to stay in Virginia. The RV was rented from Cruise America by Rick Lund on his American Express card.

When we arrived at the Marriott Crystal City, the camper did not fit in the parking garage and we had the bell boy park it outside in oversize vehicle parking. The bellhop unloaded the camper for us. The computer equipment was brand new and was still in the original IBM containers. The rest of the equipment was in soft sided luggage, a few boxes and some tote bags. We kept the equipment in our room. I departed on Sunday, August 12th for Miami, leaving Adriana Caputi at the hotel with all the equipment awaiting Rick Lund and Vern Johnson who were to arrive shortly

after I departed for Miami.

The RV was in Virginia for approximately a month and a half and was used to monitor Mr. Hamel. Rick Lund and Wayne Black found it amusing that they received a parking ticket from local police while conducting a surveillance operation in front of Mr. Hamel's house. Rick Lund stated that they had pulled the dividing curtain shut and were actively listening in on a conversation between Wayne Black and Mr. Hamel when an officer stuck a parking ticket on the windshield of the RV.

Rick Lund, Wayne Black, and Vern Johnson were discussing the procedure for body wiring and the difficulties in transmission from the wiring and the distance as well as being detected, and stated that they were going to try to attempt to "bug" Mr. Hamel's telephone.

At some point, I do not remember when, I overheard a conversation between Rick and Wayne. They said they had been in Mr. Hamel's home, and when Mr. Hamel left the living room where they all were they inspected the telephone to see if they could bug it. I understood they inspected the phone because they were extremely frustrated that they could not get the tolls anymore and thought there might be something on the phone itself which prevented them from getting the tolls and they wanted to bug his phones. They said they could not do it, I do not remember why.

On August 20, 1991, there was a lunch meeting on the case at the Bakery Center in Coral Gables. Present at the meeting were Wayne Black, Dale Matthews, Janet Lago, Adriana Caputi and myself. Dale Matthews was a back-up on the case. At that meeting Adriana

Caputi was instructed to take Dale Matthews and myself to the undercover office, also referred to as the UC office, to familiarize ourselves with the personnel in the area and to appear as if there was a lot of activity at the Ecolit office (2000 S. Dixie Highway, Suite H, Coconut Grove).

That office was an 8' x 10' room with a desk, chair, telephone, one small couch and one answering machine. The office was used as Ecolit's Miami office and several visits were made there daily by several investigators. We were instructed to call the Miami Ecolit office daily to make it look like we had a genuine business. It was a time-share office building and on that date we contracted for telephone service so that Mr. Hamel would not be talking to an answering machine anymore, and to make it seem like we were a big operation.

We also subscribed to the Anchorage Daily News, and had it shipped to the Miami Ecolit office. We were instructed to visit the Ecolit undercover office once a day and pick up all the mail and cut out any articles pertaining to Alyeska, Chuck Hamel and Exxon and any oil activity in the area. The rent for the Miami and Virginia Ecolit offices were billed to Alyeska, but was paid for by money order from Wackenhut.

On August 29, 1991, I was briefed by Adriana Caputi, and told to deliver a money order for rent to the undercover office. Adriana also gave me the keys to the office. I also spoke to Rick Lund about Wayne Black and Rick's instructions to make duplicates of the taped evidence, both video and audio, and instructors about the operation of the equipment.

On August 31, 1991, I began copying evidence tapes (video and audio) in quadruplicate for a meeting between Wayne Black, Rick Lund, and Alyeska and Exxon representatives. Temporary employees were brought in to transcribe the audio tapes for this meeting. Also on August 30, 1991, I paid the rent on the undercover office, picked up the mail, talked to the receptionist, and made sure that there was some activity at the UC office that was seen by the persons around the area in the building.

During this time I overheard a conversation between Rick Lund and Wayne Black regarding a conversation they had with Mr. Hamel. Mr. Hamel had told them about Exxon dumping waste oil into the ocean to dispose of it. I was told that Mr. Lund and Mr. Black did not want to disclose this information to anyone because the EPA would come back and ask Wackenhut questions about Mr. Hamel, the 427 investigation, and possibly be involved in a lot of litigation that would be extremely expensive.

After Case 427 was completed I was doing other research work, and on September 4, 1990, I had a meeting with Wayne and Rick about my taking over the billing. I did the billing for all the SID investigators. That involved taking all the time sheets and entering each item and client. I did not enter the billing into the computer until after Wayne had looked at the time sheets and edited them at his discretion, without any written guidelines. After that process I printed out a bill for each client, and gave it to Wayne to check and edit, i.e., change the amount of time worked or the amount billed or any comments that he wanted to change or add. Then a final, corrected bill was made. The bills

were printed and copied with one copy going to the client and the other remaining in SID's billing book. The client received a bill that was an itemized statement containing expenses incurred for each investigator, as well as a description of each activity of the investigator.

While Wackenhut had their own corporate accounting department, Wayne Black did not allow the Wackenhut accounting department to do the billing or even be involved in the SID operation. It caused a lot of internal problems with the billing. Clients would send checks to Wackenhut and SID would not know they had paid; or clients were overdue on payment and SID would not know. The billing was always done at least a month and a half late due to the burden Mr. Black placed on Janet Lago, who had previously done the billing. In fact, Janet Lago was overburdened with filing, dictation and various other claims.

The billing process was as follows:

Each investigator would turn in a time sheet to Mr. Black at the end of the work day. The time sheet contained every case they worked on for the day. Wayne Black edited the time sheets and then turned them over to me. I would input the time started, ended, total amount of time spent, and a brief report on the activity conducted into the computer. Various cases would be on one investigator's activity sheet. After I entered the time slips, Mr. Black would edit these sheets again as he saw fit, on time and money. He would also keep the time sheets, instead of giving them to the person doing the billing. When I got the billing we were already a month behind. There were approximately five

investigators actively working on cases and each dictating reports, updates, and finalizations on cases, as well as dictating whatever changes Wayne had made to the originals.

I remember that the bills for 427 did not have any client label on, although the normal practice was to put the client name on the bills. The 427 matter was "confidential" and this was not the usual procedure for billing. I did not send the bills out. I did billing for Case 427 for two months, September and October, 1990. During this time, the bill for September to Alyeska was approximately $155,000.00 and the Bill for October was $50,000.00, to be best of my recollection. Those charges included employees' time, expenses, air fare, car rental, hotel, meals, and other miscellaneous charges. I provided the bills to Wayne Black for him to send out.

Sometime in November 1990, we were told to stop all activities, and that we would begin winding down whatever we were doing pertaining to the 427 Alyeska case. According to Wayne Black, Alyeska had met with Exxon and others, and Exxon did not want this to go any further, and that they wanted nothing to do with this anymore because it was a big mess.

From November 26 1990, through February 4, 1991, I was not working at SID at Wackenhut because they had no work for me. I worked from February 4 to March 4, 1991, on other cases. On April 10, 1991, Gil Mugarra had Adriana page me and when I returned the call, Adriana advised me that Gil wanted to talk to me. Gil informed me that my services were no longer needed. Gil apologized for firing me, but told me that he was instructed to do so by Wayne

Black.

Several months ago I was contacted by Mr. Hamel's attorney and asked about my involvement in Case 427. I agreed to provide this information to Congress.

I hope that this information is helpful to the Committee investigating this matter. I will be pleased to try and answer any questions that you may have.

TESTIMONY OF

SHERREE RICH

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

OF THE UNITED STATES CONGRESS

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

2226 Rayburn House Office Building

Washington, D.C.

Good afternoon, Chairman Miller and Members of this Subcommittee.

My name is Sherree Rich. I am testifying today in response to a subopena about my employment with Wackenhut. I am currently a Child Abuse Investigator with the State of Florida. Prior to that, I worked for six months for the Wackenhut Corporation.

Prior to accepting employment with Wackenhut I had worked for the Tallahassee Police Department for two and a half years, and the Hillsborough County Sheriff's office for three and a half months on a special undercover operation.

I accepted employment with the Wackenhut Corporation in August, 1990, after applying and being interviewed at the Tampa office of the Wackenhut Corporation. Since I was interested in becoming an investigator I was referred to Wayne Black, of the Miami Special Investigations Division (hereinafter "SID). Several weeks after my initial interview I was contacted by Wayne Black for an interview. Wackenhut arranged to fly me to Miami for an interview at the SID offices. During that interview I advised Mr. Black that I was interested in becoming an investigator. He agreed to train me as an investigator. Because of recent undercover experience in my previous job, he requested that I begin work on an undercover operation that Wackenhut was conducting in the Washington, D.C. area.

After completion of my background investigation I was hired, and went to Miami for final processing and preparation for the operation. The final preparation for leaving to conduct the

activity was to get a large amount of cash for use in setting up the undercover office.

Mr. Wayne Black and I flew up to Washington on or about August 11, 1990. On the flight to Washington, D.C. I was provided a number of articles to read about Exxon's activities in Alaska, environmental issues about oil spills, and the Alaska pipeline from Alaska newspapers. We were joined later by Rick Lund and Vern Johnson. We checked into the Crystal City Marriott Hotel, where I stayed for approximately 4-5 weeks. All of my hotel expenses for were covered by Wackenhut.

During the first few days after arriving in Virginia I was briefed on what my duties were to be in connection with the undercover operation. Initially I was told very little about what the real purpose of the investigation was. I was directed to open and set up an office, posing as "The Ecolit Group," which I knew to be a false identity standing for "ecological litigation." This included opening a personal bank account in my name, with ECOLIT on the check. I deposited several thousand dollars. It also included ordering cards with my name on the ECOLIT card identifying myself as a "staff researcher." I also ordered cards for Wayne Black, identifying him as Dr. Wayne Jenkins. As part of my cover I also joined the Library of Congress as a researcher. I ordered the Anchorage Daily News as part of the cover so that the office looked legitimate. I also purchased several books about environmental issues and several environmental posters, such as "SAVE THE WHALES" and "SAVE THE EARTH" as props.

The bogus office was located at 2341 Jefferson Davis Highway,

Suite 525, in the Century Building, Arlington, Virginia. The office was in a suite of offices that shared common secretarial answering and reception services, and a common lobby. In order to appear legitimate I also received daily telephone calls from Miami, posing as if it was the Miami ECOLIT office, as well as faxes and occasional letters.

At about the same time, Mr. Richard Lund, posing as Mr. John Fox, rented a suite in the same location called Overseas Trading Company. Although we were working together in this undercover operation, we pretended only to know Mr. Fox casually because he assisted in getting our computers. In fact, Mr. Rick Lund, and another gentleman named Vern Johnson, wired the offices with video and audio microphones and cameras for the purpose of recording all of the communications and transactions between Hamel and Black. This included putting in a video camera inside a portable stereo which was wired to Rick Lund's office where it was picked up on a receiver and recorded. The sound system was also wired through the ceiling panels to the office two or three offices down the hallway. I was present when all the wiring was done in these offices.

I was present during the time when Rick Lund and Vern Johnson wired Ecolit's office in Arlington, Virginia. We arrived at the QRC offices (where we rented the Ecolit office) at night. Rick and Vern ran wires from John Fox's office, International Overseas Trading, through the ceiling into the Ecolit office. Rick had attached the wires to a remote controlled, toy dune buggy. He used this vehicle to drive across the inside of the ceiling from his office, across the intervening office to the Ecolit office so he

could get the wires to the Ecolit office. He ran the wire from the ceiling through a stanchion in the wall, cut a hole in the wall to bring the wire out and ran the wire under the carpet.

Up until the opening of the office all I had been told was that we were conducting the investigation into a person named Charles Hamel. According to Wayne Black, Mr. Hamel had spent about ten years trying to seek revenge on Exxon for receiving a raw deal on oil brokering. Throughout the entire course of my involvement with the undercover operation, Exxon and Alyeska were used interchangeably by all of my superiors. I came to understand that Aleyska was a company formed by seven oil companies, and assumed that it was the Exxon portion of Alyeska that was requesting the investigation.

As I became more familiar with the investigation I learned that Mr. Hamel was receiving documents and information, allegedly illegally, from sources within Alyeska. Wayne Black and Rick Lund told me that Hamel would receive Exxon and Alyeska information and then turn it over to Congressman Miller, and also get the Environmental Protection Agency involved, and that by doing so Hamel was causing Alyeska and Exxon a great deal of financial hardship and negative publicity. It was my understanding that the purpose of the investigation was to find out who the sources of information were and let Alyeska know who they were, so that they could handle the leaks. I believed that as soon as an employee was identified he or she would be terminated. In fact, I believe that one employee was identified and terminated during this time frame.

It was my understanding that the investigation would last for

six months to a year. In order to staff the office I was told to rent an apartment in Crystal City, Virginia. I did so; all of the expenses and costs for the apartment were paid by Wackenhut, including a rental car, gas, food, and utilities. The only thing I was responsible for were personal telephone calls and personal items. I was not aware of any State of Virginia or local authority license to conduct this activity.

My job was to appear to be researching environmental causes in and around the Washington, D.C. area, and to convince Mr. Hamel of the legitimacy of the operation. Throughout the course of the investigation, when Wayne "Jenkins" Black received documents from Hamel, I was to scan those documents into a computer. I was responsible for paying all of the bills for the office.

While the operation was going on someone from the Miami office drove up a Recreational Vehicle Camper fully equipped with living quarters and electronic surveillance equipment, such as portable telephones, two way radios, and other equipment that I did not recognize but understood to be used for picking up telephone calls. The RV was parked near Mr. Hamel's condo and the park for one night.

I was aware that Wackenhut had someone pick up Mr. Hamel's trash to go through it for information, and also knew that while Mr. Black was at Mr. Hamel's house he was wired to pick up all of their conversations, and that during his visit there he went through a bunch of Hamel's documents that were lying around and read from those documents into the "wire" so that the information could be transmitted back to Rick Lund. On one occasion I was also

wired to go to Hamel's house, when I gave him a check for $2,000.00.

It was my understanding that Hamel was having personal financial problems, and that part of the plan to "hook" him into working with Wackenhut's undercover operations was to make funds available to help him support his environmental causes. I presented two checks to Mr. Hamel, one in the office and one at his house.

I was never present at any meetings in the office or the hotel room, and never went to dinner with Mr. Hamel, but I know that Mr. Black met with him in the office and that those meetings were videoed taped by Mr. Lund in his office down the hall.

The operation lasted about three months, during which time Mr. Black came from Miami on a number of occasions. At the end of that time frame I was told that the operation was closing down. I was told that it was closing down because Alyeska attorneys wanted to stop the operation. I believe that one of the concerns that led to closing down the operation was because Wackenhut was confirming that Hamel did, in fact, have information on environmental wrongdoing which Wackenhut had no way to handle.

For the last few weeks of the operation it was unclear to me how long it would actually last. Comments were made about closing it down early. Then Mr. Black stopped talking to Mr. Hamel entirely, and directed me to "cover" for him by saying he was in a meeting or not in his office in Miami. To the best of my knowledge Mr. Black never called him back. Then Mr. Black returned to Miami, and I was instructed to close down the office and load the computer

equipment, files, posters, and all of the props and papers we had collected into a rental van, and drive it to Miami, which I did.

I continued to work at Wackenhut until January, 1991. During that time I had one further follow up involvement with the Hamel investigation. Sometime in October or November, I was briefly interviewed by two attorneys regarding my activities in the Virginia office. I was only asked by them "why" I was hired, and what my function was in Virginia. Prior to the interview I had been told by Wayne Black to just answer the questions that they asked very briefly, and not to add anything.

On my last day of work I was directed by Gil Mugarra to pick up the trash for one of the other investigator's assignments. This involved getting up at about 3:00 a.m. in order to insure that you were able to pick up the trash without being seen and before the garbage pick up. I questioned this assignment since it was not my case, and discussed it with other investigators and with Mr. Mugarra. Following these conversations I believed that the assignment had been returned to the original investigator. No one ever told me that the trash assignment was to be my last. The next day, Black called me into his office and asked me what had happened. He advised me that I was being put on suspension because I had "refused" to pick up the trash. That was not true. He told me that he would call me the next morning around 8:30 a.m., instead he called me around noon the next day and advised me that I could quit or be fired. I asked him if he would give me a good reference if I quit, and he said that the only thing that would be on my personnel file would be that I quit, so I resigned. Thereafter I

moved back to Tampa.

I hope that this information is helpful to the Committee investigating this matter. I will be pleased to try and answer any questions that you may have.

SUPPLEMENTAL STATEMENT OF

RICKI SUE JACOBSON

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

OF THE UNITED STATES CONGRESS

COMMITTEE

ON INTERIOR AND INSULAR AFFAIRS

Committee On Interior and Insular Affairs
United States House of Representatives
1324 Longworth House Office Building
Washington, D.C.

Good afternoon, Chairman Miller and Members of this Committee.

My name is Ricki Sue Jacobson. I am here today in response to the Committee's subpoena regarding my employment with Wackenhut Corporation. I reside in Miami, Florida with my three children and I am currently training to be an executive secretary.

I accepted employment with the Wackenhut Corporation in November of 1989. I had no previous investigative experience. Until that time, I had worked as a realtor since approximately 1976. However, in early Fall of 1989, a friend of mine suggested to me that I would make a good investigator and recommended that I contact an acquaintance of hers if I were interested. Her acquaintance was Mr. Wayne Black. At that time, Mr. Black was not with Wackenhut Corporation, but was operating his own practice. I contacted Mr. Black and he explained that his firm was being bought out by Wackenhut and that he would soon be employed there. After several meetings and discussions, and once Mr. Black had joined Wackenhut, I was hired as an entry level trainee. For licensing purposes, my position was known as "private investigator intern".

At the time my employment began, Mr. Black told me that my duties would basically involve property and asset searches, especially since I had a good real estate background. He also indicated that I would occasionally be doing "witness locates". In the initial weeks of my employment, I worked with more experienced investigators. During this period, I also worked on some surveillance assignments.

In approximately February or March, 1990, Mr. Black asked if I would like to travel to Alaska on an assignment. Originally, I hesitated because I do not like being away from my children for long periods of time. However, after being assured by Mr. Black that I would be gone only briefly, I agreed. I was not told the name of the client or the nature of the operation. I was given only the case number, which was 427.

Mr. Black briefed me for my assignment during March of 1990 and I was due to leave around March 20, 1990. In my briefing, Mr. Black told me I would be attending an environmental conference in Anchorage, that I would be travelling under an assumed name, and that I was to have no public contact with Mr. Black or Mr. Rick Lund while in Anchorage. Mr. Lund was an investigator under contract with Wackenhut who often worked with Mr. Black. My assumed name was "Ricki Eidelson". Eidelson is my maiden name and Mr. Black suggested I use it since it would be easy to remember. In the course of my briefing, I was also instructed by Mr. Black to become generally familiar with various ecological groups because I would be attending the conference pretending to be an ecological researcher for an environmental group in Miami. The environmental group I would be representing was called "Ecolit" and was a fictitious organization created by Wackenhut for the purpose of this assignment.

After preparing in accordance with my instructions, I ~~Page~~

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travelled to Anchorage on or about March 20, 1990. Prior to my departure I was given false identification documents to support my assumed name. These documents included a Florida driver's license issued in my fictitious name, business cards from Ecolit, and luggage tags. Mr. Black and Mr. Lund travelled on board the same plane, but we had no contact with each other, as per the instructions I had received. Mr. Black's assumed name was Wayne Jenkins, also supposedly with the Ecolit group. I believe Mr. Lund's assumed name was John Fox, though I am not certain. At this time I still had no knowledge of the client's name, the nature of the operation or effort of which I was a part, or the name of any persons who might be the subject of any investigation to be conducted by Wackenhut. After my arrival in Alaska, I travelled to my hotel, the Captain Cook, and registered. Mr. Black and Mr. Lund also travelled to the hotel, though separately from me. Shortly after we arrived at the hotel, Mr. Black and Mr. Lund met with me in my room and discussed various details of my assignment. The essence of their instructions was that I was simply to attend, and take notes at, the environmental conference scheduled to begin the next morning. However, in the course of this meeting, Mr. Lund also asked that I attempt to see the conference registration list and to let him know if the name "Charles Hamel" appeared on that list. This was the first time I ever heard the name "Charles Hamel", and nothing further was said

about him. When I inquired later about the list, I was told that a registration list was not available and I therefore reported to Mr. Black and Mr. Lund that I was unable to determine whether Mr. Hamel had registered at the conference.

On March 22, 1990, the third day of the conference, while I was seated with other conference attendees in the dining room of the hotel, Mr. Black approached me and whispered "the guy we want you to eyeball is in the lobby." I believe these were Mr. Black's exact words. He then motioned for me to follow him. I was surprised because I did not know anything was expected of me beyond my attendance at the environmental conference. However, I walked to the doorway of the dining room and Mr. Black pointed out Mr. Hamel standing in the lobby. Mr. Hamel was speaking with a man and a woman. I observed them for a few moments, but did not overhear their conversation. When they left the lobby, I returned to the dining room and later reported my observation to Mr. Black.

During the evening of March 22, 1991, the day the conference ended, I visited a local restaurant and bar with a fellow conference attendee. Upon my return to the hotel, I noticed Charles Hamel standing in the lobby area. Believing that Mr. Black and Mr. Lund would be interested in Mr. Hamel's whereabouts, I contacted one of them (I do not remember which) and advised him of Mr. Hamel's presence in the lobby. I was instructed to keep Mr. Hamel under observation and, if he left the lobby area, to follow him. After a short time, I followed Mr. Hamel into the hotel bar.

He was in the company of another gentleman and I learned later that his name was Rick Steiner. I sat a few stools away from Mr. Hamel and Mr. Steiner and, after a few moments, I used the phone in the bar and called Mr. Black or Mr. Lund (I do not remember which), and notified him of my whereabouts. A few moments later, Mr. Black and Mr. Lund entered the bar separately, as if they did not know one another, and took separate seats. After approximately twenty to thirty minutes, Mr. Hamel and Mr. Steiner left the bar. My observation terminated at that time. However, I believe either Mr. Black or Mr. Lund followed Mr. Hamel and Mr. Steiner out of the bar. During the time I was in the bar, I do not recall engaging in any direct conversation with Mr. Steiner or Mr. Hamel, and I do not believe I did. However, I recall having brief eye contact with one or both of them in the course of various comments I was exchanging with the bartender.

Sometime after I returned to my room that evening, Mr. Black and Mr. Lund came to my room and we discussed the events of that evening and our travel arrangements home, now that the conference had ended.

I left Alaska on the morning of March 24, 1991. While waiting to board my flight in the Anchorage Airport, I noticed Mr. Hamel in the concourse area. I was very surprised that I happened to be booked on the same flight. After being seated in the coach section, Mr. Hamel noticed me and apparently recognized me. After

exchanging a few words, he invited me to sit with him and I did. I was very nervous because my assignment was over and I did not know how to handle this particular situation. Since Mr. Hamel had just been the subject of our surveillance in the bar, and because I wanted to be very careful, I introduced myself using my assumed identity and purpose.

Mr. Hamel's destination was Seattle, the first stop on my flight to Miami. During the time we sat together, Mr. Hamel very candidly discussed many things of concern to him, including a lawsuit with Exxon, his own oil leases and problems he encountered with water being mixed with his oil. He also mentioned that he had various sources inside Alyeska Corporation feeding him various types of sensitive information. He discussed secret meetings and even the suicide of one person involved. I did not understand much of what he was saying and felt very astonished and uncomfortable at the great degree of trust he was showing a complete stranger. In addition to these discussions, Mr. Hamel asked me a lot about myself and about Ecolit. In the course of that part of our discussion he mentioned that he would be coming to Miami and that, when he did, he would visit Ecolit. After I returned to Miami, I reported my experience with Mr. Hamel to Mr. Lund and then to Mr. Black and subsequently dictated a memorandum to Mr. Black containing the same information. I maintained no activity logs during my stay in Alaska because I was told by Mr. Black that none of the usually required activity logs were to be maintained in

connection with the Alaska trip.

Several days after my return to Miami, at the direction of Mr. Black, I contacted Charles Hamel one or two times at the number Mr. Hamel gave me on the airplane. The purpose of my phone call was to attempt to arrange an introduction between Mr. Hamel and Wayne Black (posing as Wayne Jenkins of the Ecolit Group). Mr. Black was present during my calls to Mr. Hamel and spoke with Mr. Hamel himself once the introduction had been made. Subsequently, it is my understanding that he made several additional phone calls to Mr. Hamel. I witnessed approximately two of the calls made by Mr. Black (Jenkins) to Mr. Hamel. I observed at least one of these telephone calls being recorded by Mr. Black. The device used was a wire with a suction cup attached to the receiver and the other end attached to a small tape recorder on Mr. Black's desk. I know other phone calls to Mr. Hamel were recorded because Mr. Black played for me the tape of at least one of the phone calls which he made to Mr. Hamel.

In the days immediately following my return to Miami, Wayne Black arranged to establish an official Ecolit office in Miami, in the Coconut Grove area. This was done because Mr. Hamel had stated to me on the airplane that he would be coming to Miami and would come by to see Ecolit's offices and get to know more about the group. However, within a few weeks after my return, Mr. Hamel had indicated that he would not be coming to Miami. Therefore, Mr. Black determined that we would have to travel to Washington, D.C.

in order for him to meet Mr. Hamel. At that point, Mr. Black directed me to travel to Washington with him to make the introduction. I did not really want to go, and I did not want to be a part of any further deception of Mr. Hamel. In fact, on April 30, 1990, I wrote a letter to Mr. Black explaining this and I have provided that letter to this committee in response to the subpoena served upon me. Nevertheless, after much discussion, Mr. Black did succeed in convincing me to travel to Washington with him and to introduce him (as Wayne Jenkins) to Mr. Hamel with the understanding that I would not again be asked to have contact with Mr. Hamel or to engage in any further deceit pertaining to Mr. Hamel. I wrote Mr. Black an additional letter, on May 6, 1990, which he received on Monday, May 7, 1990, confirming my earlier statements to him that I was uncomfortable about my role in the Hamel matter, that I was above my head in terms of my experience as an investigator, and that I wanted no further contact with Hamel or this case. I would add, however, that at this point in time, May 6, 1990, I still had received no information from Wackenhut regarding the identity of the client or the nature or purpose of the operation. My letter of May 6, 1990 was provided to this committee in response to the subpoena served upon me.

I arrived in Washington, with Wayne Black, on approximately May 9, 1990. Mr. Hamel picked us up at a restaurant in downtown Washington and drove us to his office. Wayne Black was introduced as Wayne Jenkins of the Ecolit Group, and Mr. Hamel introduced Mr.

Black and myself to several other persons present at Mr. Hamel's offices. Mr. Hamel picked up his mail at his offices and placed the mail and several other items, such as newspapers, in the back seat of his car. He then drove us to his home in Alexandria, Virginia. During the time we were riding to Mr. Hamel's home, Wayne Black was seated in the back seat and I was seated in the front passenger seat. At one point during our trip, I looked back and observed Mr. Black going through Mr. Hamel's mail. I did not see Mr. Black actually take any of the mail. After we arrived at Mr. Hamel's home, Mr. Hamel took the mail and other items into his home and placed them on his desk in the livingroom of his home. Nearby, on the floor, were many other stacks of papers. Mr. Hamel left the room twice while we were there. During each of his absences, I observed Mr. Black leafing through Mr. Hamel's mail and the numerous papers stacked on the floor. Mr. Black was very happy about the opportunity to observe Mr. Hamel's mail and papers and commented to that effect several times. I became extremely nervous and apprehensive and very much regretted being there.

After a while, Mr. Hamel reappeared with his wife and we all chatted for awhile, primarily about Ecolit. Mr. Hamel seemed quite suspicious about Ecolit and asked many questions of Mr. Black. After awhile, Mr. Hamel and his wife invited us to join them for dinner at a nearby restaurant. Just prior to departing for dinner, Mr. Black used the bathroom in the Hamel home. A short time later, while walking to the restaurant with Mr. and Mrs. Hamel, Mr. Black

quietly stated to me that he intended to tape the dinner conversation. Specifically, he advised me not to talk too much so that the tape would not contain too much unnecessary chatter. Sometime after we reached the restaurant, Mr. Black went to the restroom and after he returned he whispered that the tape had not worked, that the conversation did not record. Based on this, I concluded that Mr. Black had wired himself at the Hamel home and attempted at the restaurant to tape the dinner conversation with the Hamels.

After dinner, we walked back to the Hamel home and Mr. Hamel drove Mr. Black and me around Alexandria and then to the airport. On the flight back to Miami, Mr. Black removed from his brief case two long envelopes, bearing metered postage, which he indicated he had taken from Mr. Hamel, although I cannot recall whether he stated the items were taken from Mr. Hamel's car or his home. I reacted with surprise and asked how he could have taken the items and he responded that "they were stolen anyway" and that they did not really belong to Mr. Hamel.

After returning to Miami, I discontinued all contact with Mr. Hamel. I resigned Wackenhut on or about June 25, 1990. Between the time of my return and my resignation, among other duties, I continued to man the undercover Ecolit office and, on one occasion, I was asked to -- and did -- examine trash which I was told had

been taken from Mr. Hamel's residence. I resigned in writing and my resignation letter has been provided to this committee in response to the subpoena served upon me. I have had no further contact with the investigation pertaining to Mr. Hamel, or with the Wackenhut Corporation except in connection with these proceedings.

I hope that this information is helpful to the Committee and I will be happy to try and answer any questions which you may have.

Ricki Sue Jacobson

RICKI SUE JACOBSON

SWORN TO AND SUBSCRIBED before me the 1st day of November, 1991 in the County and State aforesaid.

Jack B. Gerber

NOTARY PUBLIC

JACK B. GERBER
My Comm. expires April 28, 1992
Bonded thru Notary Public Underwriters

TESTIMONY OF

ANA MARIA CONTRERAS

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

OF THE UNITED STATES CONGRESS

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

2226 Rayburn House Office Building

Washington, D.C.

My name is Adriana Caputi. I am submitting this statement to the Committee for its consideration in connection with their inquiry into the Wackenhut investigation of Charles Hamel.

I am a private investigator. I am currently unemployed. I went to work at Riley, Black & Kiraly Associates around August, 1988. I was hired as an investigator. In the context of my duties, I became acquainted with Mr. Wayne Black as he was one of the partners of the firm.

In late 1988, Mr. Black left the firm of Riley, Black & Kiraly to form his own company called Wayne Black & Associates. I continued to work for Riley, Kiraly & Associates until April of 1989, when Mr. Black hired me to work for his investigation company.

Sometime in mid 1989, while I was employed at Wayne Black & Associates, negotiations began between Wackenhut and Wayne Black. Black told me Wackenhut was a big move for him, and the cases we were going to handle were going to be much better and bigger, and that our salaries and benefits were going to be much better. He continued to brag about the move to Wackenhut while arranging meetings with Wackenhut officials outside of the office. Although he did not identify specific cases or clients we would be working on he made it clear that we would be working on "very big " cases.

In late September, 1989, Bill Shirley from Wackenhut came to the Wayne Black & Associates office to assess the office property. Soon after that, the employees of Wayne Black & Associates, which were J. Thomas Whiteman, Anneli Osoria, Richard Lund, and myself,

joined the Wackenhut Corporation. I was officially employed on October 2, 1989.

At Wackenhut, I was an investigator for SID. I did all types of investigations, video surveillance, background investigations, undercover work and interviews. I was a full time employee of The Wackenhut Corporation from the time I was hired.

I was unaware of Case 427 until I overheard conversatio in the office that Wayne Black, Richard Lund, Ricki Jacobsen, and Gary Crep returned from Alaska. At the time everything was extremely "hush-hush" in the office, and I did not know what the case was about or who it involved. After the four parties returned to Miami, I found out that it was a very big case that involved Alyeska (at the time unknown to me who Alyeska was) and Exxon. I knew no more about the investigation until Ana Contreras joined SID in May, 1990.

Ana Contreras and Ricki Jacobsen would speak often, and Ricki Jacobson would always complain about "427" to Ana. I would often overhear them because of our sitting arrangements. Jacobsen would say "I don't want to do this", "I'm tired of this" and would tell Ana Contreras about things she did during investigation. But I did not pay close attention to the specific details of what she was saying.

When Ana Contreras started to work the case, things were more freely discussed within the office and the names Alyeska, Exxon and Hamel would come up quite often. I heard Ricki Jacobsen tell

someone in the office about her ordeal in Alaska, how she had to sit next to Hamel on the plane and was asked by Wayne Black and Richard Lund to become "friendly" with him in the lounge of a hotel in Alaska.

I recall that Ricki Jacobsen set up an office which was named The Ecolit Group located at 2000 S. Dixie Highway, Suite H, Coconut Grove, Florida. Ricki Jacobsen kept stating in the office that she was in charge of getting the furniture, answering machine, the phone hooked up, etc. Richard Lund created a pamphlet describing what The Ecolit Group did. After Jacobsen left SID and Wackenhut, Ana was in charge of The Ecolit Group office also known as the undercover, or UC office.

Around the same time, Contreras began to have many difficulties with Wayne Black because they disagreed about her work. Contreras was instructed to take me to The Ecolit Group office and show me what was there. Prior to Contreras' leaving, she was to show me how to work the answering machine, become familiar with what the Ecolit Group stood for (which was an ecology litigation group) and to give me a pamphlet that was printed with what The Ecolit Group did. The office included a two-seater couch, a small desk, a chair, a telephone, an end table, an answering machine, a couple of posters from Alaska, the pamphlets and stationery with the name and address of The Ecolit Group. The office was very small.

Ana Contreras advised me not to spend too much time in the

office or make any phone calls because she believed there was a hidden camera that was recording us constantly.

Following Contreras' departure from SID, I was instructed to frequent The Ecolit office 3 or 4 times a week to pick up the mail, which included telephone bills, long distance phone company bill (MCI), and two subscriptions to newspapers, one being the Anchorage Daily News and I do not recall the other one. Messages were to be picked up from the answering machine on a daily basis, and a few months later 3 to 4 times a day. The only messages received that I picked up from the answering machine were those of Chuck Hamel asking for Wayne (Jenkins) Black. When a message was picked up from that answering machine, Wayne (Jenkins) Black was to be paged immediately and given the full message from the answering machine. The newspapers were to be taken back to the SID office and thoroughly looked through locating any articles involving Hamel, Alyeska, Exxon, or any other articles dealing with the oil companies.

The case began to heat up in July, 1990, because we could not find any definite proof where the "leaks" were coming from, and therefore Wayne Black decided we needed to take a more direct approach in order to identify the "leaks."

Around the beginning of August, 1990, an investigator by the name of Sherree Rich joined SID. Sherree was to be the person who ran the office that was being set up in the State of Virginia. I met Sherree briefly when I was instructed to pick her up at the

airport.

The week of August 5th, 1990, Wayne Black asked me and investigator Victor Martin if either of us wanted to drive a recreational vehicle from Miami to Virginia. I asked what was in the vehicle and was told it would be full of equipment. After several discussions in the office, it was decided Victor would not go to Virginia. It was decided that I would go and a second person would accompany me to share the driving. At this time Mercedes Cruz said that she would be willing to accompany me on the expedition and share in the driving.

On Friday, August 10, Richard Lund and I went to Cruise America where Rick Lund rented a large RV for a period of a month. The vehicle was paid with Rick Lund's American Express card. I drove the RV back to Wackenhut and parked it at a parking meter where Rick Lund and Vernon Johnson proceeded to load the RV with extremely expensive and sensitive equipment, such as an IBM computer still in the original box, tools, a duffle bag containing a camera hidden in a ceiling sprinkler head, 2-way radios and a portable phone.

The information I was supplied with was that the RV was going to be set up as a surveillance vehicle with Vernon Johnson monitoring the equipment. I was advised that the equipment was extremely expensive and we were not to leave it alone for so much as a minute.

We were also issued a memo which we were to give a law

enforcement officer if questioned regarding the equipment. Cruz and I were to tell the law enforcement officer he should contact Wayne Black for additional information.

Wayne Black also gave Mercedes Cruz and I a letter which stated "...that the Wackenhut Corporation is duly licensed to conduct investigations in Florida and Virginia...because of the reciprocity agreement between Florida and the Commonwealth of Virginia." The letter also said that he would "continue to maintain a close working relationship with Federal, State and local authorities in terms of cooperation without violating disclosure laws or confidentiality agreements." An assignment memo typed by Wayne Black himself on August 10, 1990, said "You are responsible to transport the camper and equipment to Rick in Virginia. No one may know why or what you are doing. Please advise Mercy."

Ms. Cruz and I arrived at the Crystal City Marriott where reservations had been made for us. We arrived at the hotel at approximately 6:00 p.m. on August 11th. The RV was unloaded by the bellboy and one of us stayed with the RV and the other proceeded to the room with the bellboy and the equipment. We put as much of the equipment as we could in the closet of the hotel room. From when we left Miami at approximately 5:30 p.m. on August 10th, we continuously checked in to dispatch at the Wackenhut Corp.

I was instructed to remain at the hotel until Rick Lund and Vernon Johnson joined me. Mercedes Cruz left Washington in the late evening on Sunday, August 12th. That same evening Vernon

Johnson and Rick Lund arrived at the hotel. Both proceeded to move the equipment from my room to where Vernon Johnson was going to set up the computer. I am uncertain at this time if that was his room or the Ecolit office in Virginia. I flew back to Miami on the 14th or 15th of August.

Approximately a week or two later, Wayne Black, Rick Lund, and I flew back to Washington, D.C. I was briefed about a meeting at The Ecolit office that was going to take place between Chuck Hamel, Wayne Black, Sherree Rich and myself. I was instructed not to say more than my name, greetings, and that I did research for case preparation. Rich and I were instructed to sit in certain chairs, not to block the view of the camera hidden in a radio which was to record Chuck Hamel. Sherree Rich had been instructed to put the latest editions of the Anchorage paper in a noticeable place so that it looked to Hamel like the papers were being read. We waited in the office until Hamel arrived.

At that time as seen on the video, Wayne Black introduced me by my legal name, Adriana Caputi, to Chuck Hamel. Hamel commented about my name being Caputi, Italian, and asked me where I was originally from. We all took our seats and Wayne Black started to talk to Hamel about things that Wayne was doing to move things along. A dummy complaint was prepared by SID to show Hamel that Ecolit was active in litigation. Wayne continued to tell Hamel how well things were going, and mentioned that I was doing work for the law firm of Goodman & Goodman. Shortly thereafter Wayne Black

asked Sherree Rich and myself to leave. Sherree Rich and I proceeded to a bagel shop at the mall to await a page that Wayne Black was going to send Rich when we were both to return to the office. When Rich was paged we both returned to the office and then left with Wayne Black in a rented blue Cadillac.

While I was in Virginia with Sherree Rich, Rick Lund and Wayne Black, Wayne talked about how they had used a remote controlled toy vehicle, which they ingeniously, quietly and without the knowledge of the Navy intelligence personnel who occupied the surrounding offices, had run wires from the International Overseas Trading suite over the two intervening offices and into the Ecolit Group Office. This was done to set up the video and audio equipment in the Ecolit office and monitor such from the International Overseas Trading office. The wires were attached to the toy vehicle, a panel of the drop ceiling was pushed up, the vehicle was put into the ceiling and using a hand held steering device the toy was driven from one office to the other and brought down from the ceiling into the Ecolit office.

On August 20th we had a lunch meeting with Wayne Black, Dale Matthews, Janet Lago, Mercedes Cruz and myself which was held in an Italian Restaurant at the Bakery Center in Miami. During this luncheon various procedures were talked about since Dale Matthews had just joined the SID office. I was instructed to immediately after lunch take Cruz and Matthews to the Ecolit office in Miami and brief them on what needed to be done. Matthews drove Cruz and

I to the Ecolit Group office where I showed them where the mail was to be picked up, and the location of the office.

I also advised both that the rent was to be paid in cash or money order to the receptionist and the phone bill and MCI bill were to be sent by mail. These were things that I had been doing after Ana Contreras left SID. Wayne Black stated that we needed to find a way that Chuck Hamel would not be talking to an answering machine every time he called in because he could become suspicious. On or about August 20th, 1990, I spoke to the receptionist where The Ecolit office suite was located and asked if they could answer our phone. The lady replied that it would be no problem but that a telephone line had to be hooked up to her switchboard. This was done and thereafter when anyone called The Ecolit office the receptionist would answer Ecolit Group. She was given a list of names and beeper (pager) numbers including Wayne Jenkins, John Fox (Rick Lund), myself, Mercedes Cruz and Dale Matthews. When someone called The Ecolit office, the receptionist was to page people in that order and await a quick response.

Sometime after this, a big meeting was scheduled between Wayne Black, Richard Lund, attorneys and security people from Alyeska. Throughout the preparations for this meeting, equipment had been set up in the office to duplicate video tapes and audio tapes obtained throughout the investigation. There were also a couple of temporary employees who were transcribing at the time. One of the

persons transcribing was well known to me because she had previously been Wayne Black's secretary at Wackenhut and at Wayne Black & Associates. This individual was Anneli Osoria. Ms. Osoria would come in the evenings and transcribe. One of the SID secretaries named Cindy Valdez was also transcribing video tapes.

Wayne Black rented a Lincoln Town Car because he was going to be driving people who were coming to this meeting. Janet Lago (SID secretary) and myself were instructed to purchase luncheon trays. Janet and I proceeded to the penthouse conference room where, with the help of a maintenance lady, we set up the food, drinks, etc. for the meeting.

In the afternoon I was instructed by Wayne Black to proceed to the conference room where I was introduced to four men, one of which was Pat Wellington of Alyeska. I cannot recall the names of the other three men but I do remember at least one was an attorney. Also present in the conference room were Rick Lund, William Richie, Esquire, and Jonathan Goodman from the law firm Richie, Munroe, Fine & Goodman, P.A. I was instructed by Wayne Black to drive the out of town visitors back to their hotel in Miami which was near the Omni. The out of town attorney had a flight to catch shortly after the meeting and I proceeded to drive him to the airport.

Although the case continued, I had no further involvement but for two exceptions. One exception was when I was questioned by two attorneys, a male and a female, and Wayne Black instructed me to answer them briefly. The questions that I recall were: when did

I start working for Wackenhut; was I an investigator; and what did I do at the Ecolit office?

I overheard conversations about the involvement of Congressman Miller and how he had become a target of the investigation.

At one time further into the investigation Hamel had called irate several times because he was not getting a return call from anyone, so the receptionist gave him my pager number. Hamel then paged me directly from another state, possibly Washington, I returned the phone call not knowing who had paged me and found out that it was Chuck Hamel. Hamel stated that he was extremely upset and that he needed to talk to Wayne Jenkins immediately. Then proceeded to ask me if Mr. Trump was there. My response was "Mr. Trump?" And Hamel said, "Yes, isn't Donald Trump on the Board of Directors?" I told Hamel that I would immediately relate the message to Mr. Jenkins when I located him. I went into Black's office and told him what had happened.

Black instructed me never again to contact Hamel, to dictate a quick memo and he would take care of it immediately. I then asked Wayne what was this about Trump. Wayne replied that "Yea, we told Hamel that Trump was on the Board of Directors and he believed it."

I did not receive any other calls from Chuck Hamel; however, I did relate messages to Wayne of calls that Hamel made to The Ecolit office.

The second exception was hearing the other investigators and

my direct supervisor Gilfredo Mugarra talk about the billing and the case, especially to Rafael Castillo. All 427 files, notes, reports, receipts and billing were kept in a file cabinet, that was a locked safe in a filing room at SID. Most of the SID case files were kept in the same room, but in regular filing cabinets. The combination to the safe file cabinet was only known to Wayne Black, Richard Lund, and at that time to Wayne Black's secretary Janet Lago. Janet Lago said that when John Mann, Deputy Director for SID, demoted her to "girl friday" the combination was changed and was only available to Wayne Black, Rick Lund, John Mann, Patricia Cowley and Wayne Black's private secretary Mercedes Equizabal. Gilfredo Mugarra bragged that he also had the combination to his safe.

Wayne was a prolific memo writer. Any and all information regarding a case was to be dictated and submitted to the secretaries who would then proceed to type the memos. After the secretaries typed the investigator's memo, she would make a copy and give it to the investigator for corrections. The original was given to Wayne Black. Following the investigator completing all corrections, the memo was returned to Wayne for approval to finalize. All memos were kept in each case file.

Gilfredo Mugarra spoke often to other investigators about John Mann's inability to do his job properly and his lack of knowledge of the investigative field. Mugarra talked behind people's back, and would say that he would always stick with Wayne Black because

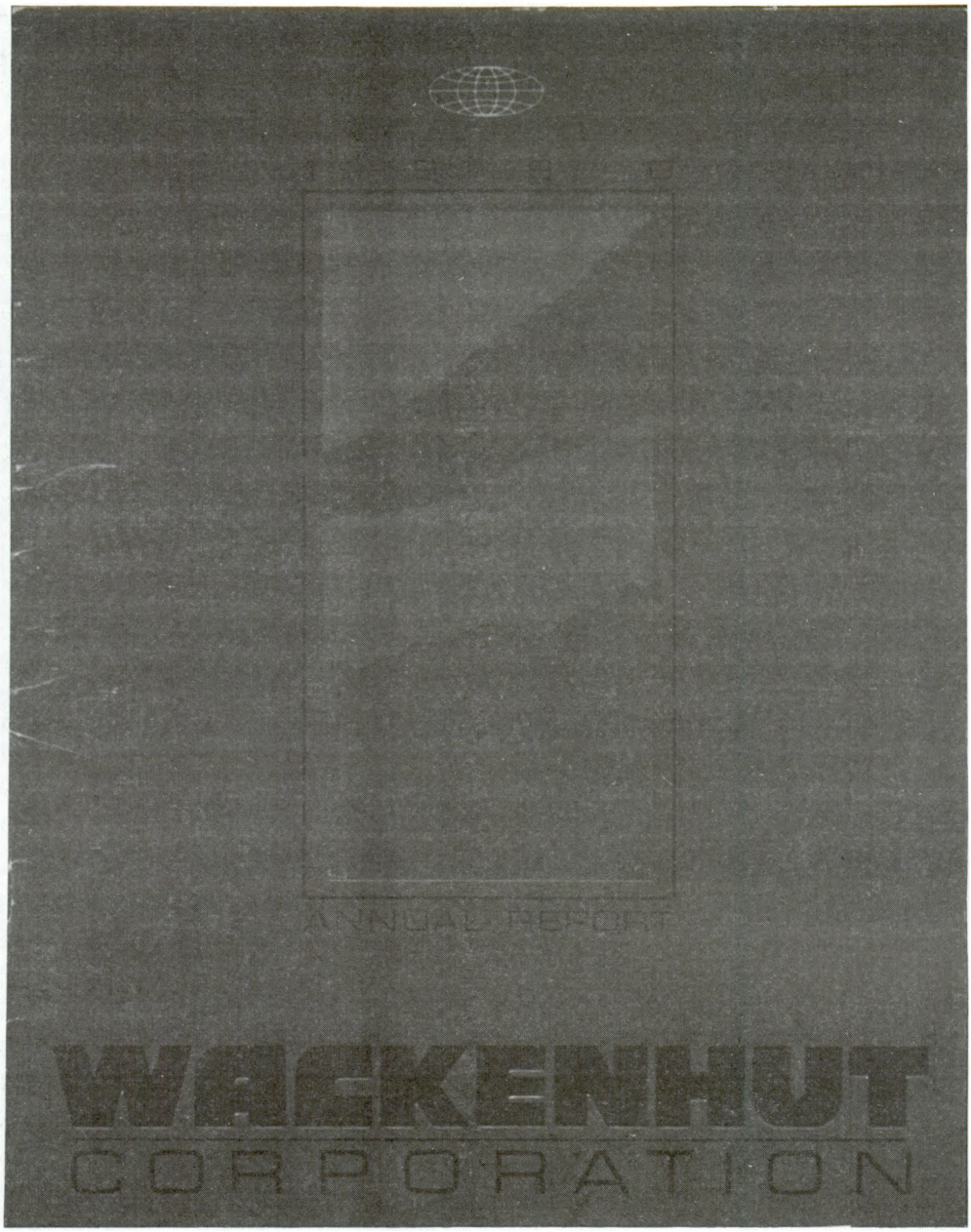
Wayne Black was "bullet proof."

On April 22, 1991, I was given a final notice before termination of employment and an eight hour suspension because of false allegations made about my character, and work performance. I was also told that Gilfredo Mugarra had said he was glad my days at the Wackenhut Corporation were "counted" and that I was going to "be fired."

Because I was afraid of being terminated for no legitimate reason, I felt pressured to resign and give the customary two weeks notice. However, I was asked by Gil Mugarra to leave immediately and he escorted me out of the building.

In August, 1991, I was contacted by Mr. Hamel's attorney. I agreed to give this information to Congressional investigators and did so.

I have been given nothing of value for this statement, and give it freely without any threats or coercion.


ANNUAL REPORT
WACKENHUT
CORPORATION

FINANCIAL HIGHLIGHTS

(Dollars In Thousands Except Per Share Data)

	1990	1989	Percent Change
Revenues	**$521,191**	$462,181	+12.8
Net Income	**$ 6,963**	$ 5,874	+18.5
Return on Average Shareholders' Interest	**19.5%**	18.3%	
Per Share of Common Stock:			
Net Income	**$1.80**	$1.52	
Cash Dividends	**$ .60**	$ .60	
Shareholders' Interest	**$9.81**	$8.71	
Average Shares Outstanding	**3,858,885**	3,858,885	

THE WACKENHUT CORPORATION

Corporate Vision:

By the year 2000, The Wackenhut Corporation will be recognized throughout the world as a uniquely diversified, superior performing and profitable protective and support services company.

Operating and Financial Goals:

The Wackenhut Corporation will:

- Conduct all Corporate relationships according to the highest moral and ethical standards.
- Increase earnings per share and shareholder value on a continuing basis.
- Attract and retain a skilled work force, using only the highest standards in the recruitment and selection of personnel.
- Increase the productivity and professionalism of personnel at all levels within the organization, by emphasizing sound initial and ongoing training.
- Respect the dignity, rights and contributions of its employees.
- Maintain Return on Equity (ROE) at consistently high levels.
- Develop and retain a prestigious client base, including companies listed on the Fortune 500 and important agencies within Federal, state and local governments.
- Seek long term relationships with our clients, based upon quality of service, not lowest price.
- Establish and maintain a mechanism for identifying and satisfying real customer needs through a total Corporate quality improvement program.
- Continue to improve the quality of Corporate services, to internal as well as external customers.
- Develop and achieve meaningful market share goals for each Business Unit.
- Continue to diversify into areas that will maximize profits and cash flow, and/or improve market penetration.
- Develop a balanced plan of short, medium and long term interests while achieving sustained, profitable growth.

WACKENHUT

A COMMITMENT TO EXCELLENCE



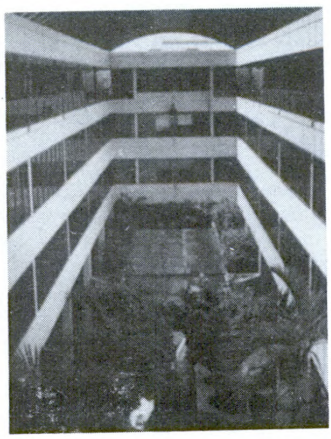


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LETTER TO THE SHAREHOLDERS

The Corporation's annual report for the year 1990 contains a number of highlights which speak rather strongly for the excellent financial condition of the Company at the close of the year: record sales, exceeding the half billion dollar level, accompanied by record earnings, and a return on average shareholders' interest of 19.5 percent. This marks the thirty-sixth straight year of increased revenues.



Richard R. Wackenhut and George R. Wackenhut

Through the last decade, the Corporation developed, and then closely monitored, a definitive Corporate plan which emphasized improvement in the quality of our services and diversification into logically related areas. As a result, the Corporation initiated services to support the construction and management of correctional facilities; the administration of education, training and vo-tech programs; and institutional food and health services. Present Corporate plans are to consolidate these expansionary efforts, improve margins, and achieve a sustained and profitable growth pattern that will establish The Wackenhut Corporation as a uniquely diversified, superior performing and profitable provider of business, industrial and professional services.

An unexpected call to our government services subsidiary, Wackenhut Services, Inc. (W.S.I.), during July of the past year indicated that the Corporation has achieved a significant measure of success in being recognized as a leading and dependable provider of quality services to the Federal Government. The Department of Energy (D.O.E.) decided to make an immediate change in the management of security at its Rocky Flats, Colorado, nuclear manufacturing facility. Circumstances eliminated the opportunity for the normal, but time-consuming, competitive bidding process, and Department officials contacted WSI with an invitation to assume contract responsibility at this critically important location. In a matter of days, W.S.I. had a management team in place to operate under an interim contract, and began negotiating a two-year contract which is now in place and will generate additional annual revenues of approximately $35 million for the Corporation.

While appreciative of the confidence shown in the Corporation's management by the Department of Energy at that time, we also feel that our selection demonstrated a tangible recognition of Wackenhut's commitment to excellence and its quality contract performance at other D.O.E. sites.

Accolades were also earned by the Nuclear Security Division's contract security force at the Florida Power and Light Company, as it was formally awarded "Certified Quality Supplier" status. Developing the programs and structure necessary to achieve this honor required serious commitment inasmuch as Florida Power and Light was the first company outside of Japan to receive the prestigious Deming Prize for quality performance.

In the 1990's, we will continue our innovative efforts toward overall quality improvement in those

services provided to our worldwide list of clients. Our operating philosophy will continue to emphasize the highest standards in the recruitment and selection of personnel; recognition of the contributions of our work force of over 41,000 employees, including our international subsidiaries and affiliates; and a determination to retain long-term relationships with our prestigious client base.

As we progress into the next decade, the Corporation will not overlook possibilities for further diversification, particularly those enterprises that will contribute to profits and cash flow, improve market penetration, or enhance our long-range potential.

The Corporation takes a great deal of pride in its participation in a number of projects in addition to Rocky Flats, as mentioned above, which are closely related to our national defense interests. They include the Wackenhut personnel who conduct security operations at the trans-Alaska Pipeline, the Strategic Petroleum Reserve Operations, the Nevada Test Site, the Savannah River Site and in the protection of U.S. Missions and Embassies overseas. We have equal pride in those Wackenhut employees who have been called up with their respective Armed Forces Reserve Units for service related to the Persian Gulf operations, and offer them and their families our strong endorsement and best wishes.

We are appreciative that the Corporation has a highly capable and innovative senior management team, and to them goes much of the credit for our successful record. Since the publication of our last annual report, there has been only one change in our roster of key corporate executives. G. Calvin Harris, who had been the Chief Financial Officer since August, 1979, retired, and taking his place is Michael A. DiGregorio, who was elected to the position of Senior Vice President, Finance, Treasurer and Chief Financial Officer at the October meeting of the Board of Directors.

Appreciation also goes to our highly distinguished Board of Directors for the oversight they have provided during the Corporate planning and development process and in determining the future direction of the Corporation. Our gratitude is also extended to our shareholders for the confidence demonstrated in our Company, and we pledge to you a satisfactory return on investment as we continue beyond the accomplishments of our 36th year. The half-billion dollar achievement of this past year is but one more benchmark as we strive forward on a progressive and well-managed path of growth and expansion.

Sincerely,

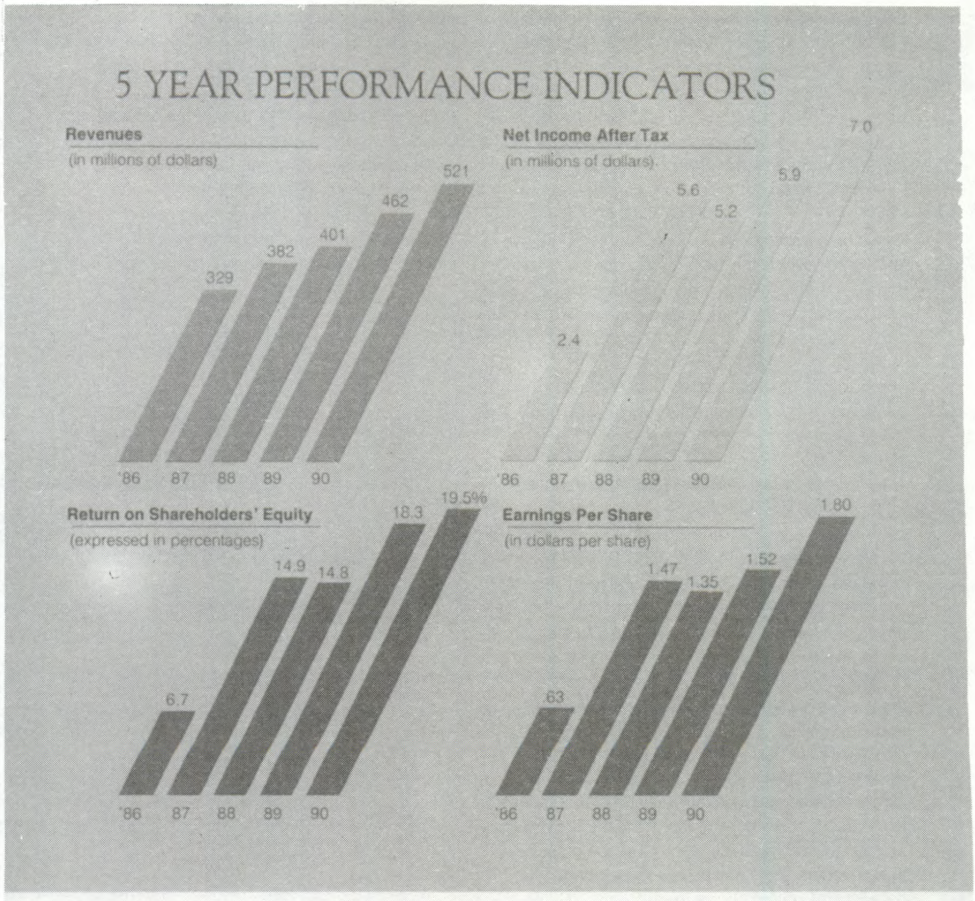


George R. Wackenhut
Chairman of the Board and
Chief Executive Officer



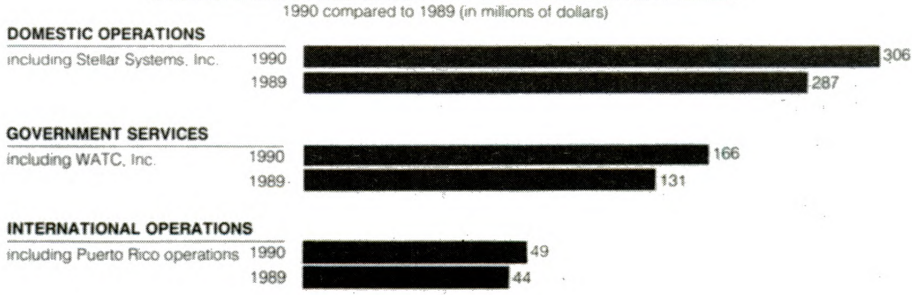
Richard R. Wackenhut
President and Chief Operating Officer

5 YEAR PERFORMANCE INDICATORS

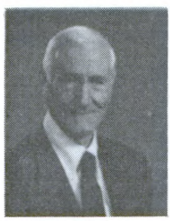


REVENUES OF MAJOR OPERATING GROUPS

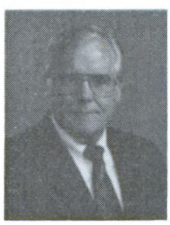
1990 compared to 1989 (in millions of dollars)



SENIOR OFFICERS OF THE CORPORATION



George R. Wackenhut
Chairman of the Board and Chief Executive Officer



Richard R. Wackenhut
President and Chief Operating Officer

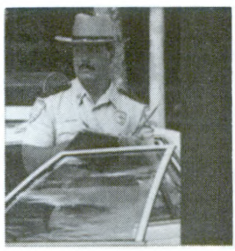


Ruth J. Wackenhut
Secretary of the Corporation

PRINCIPAL OPERATING GROUPS

DOMESTIC OPERATIONS

Physical security services, investigations, custom protection officers, nuclear security and health services, emergency and support services, airline services, and Stellar Systems, Inc.



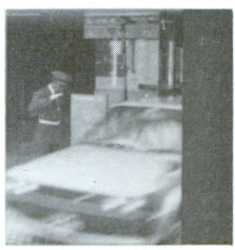
GOVERNMENT SERVICES

Diversified security related services by Wackenhut Services, Inc.; and specialized services by Wackenhut Corrections Corporation, and Wackenhut Applied Technologies Center, Inc.



INTERNATIONAL OPERATIONS

Security and security related services including technical assistance in over forty countries, on six continents, for both government and commercial clients.



CORPORATE SENIOR VICE PRESIDENTS



Alan B. Bernstein
Senior Vice President, Domestic Operations



Fernando Carrizosa
Senior Vice President, International Operations



Timothy P. Cole
Senior Vice President, Government Services



Michael A. DiGregorio
Senior Vice President, Finance, Treasurer and Chief Financial Officer



Robert C. Kneip
Senior Vice President, Corporate Planning

Corporation's Domestic Services Expanded, Improved During 1990

Quality improvements in the physical security and investigative services, as well as product expansion in the Corporation's manufacturing subsidiary represented significant achievements for the Domestic Operations Group in the past year. It also developed new services to satisfy the increasingly sophisticated needs of today's business and corporate entities for security related services.

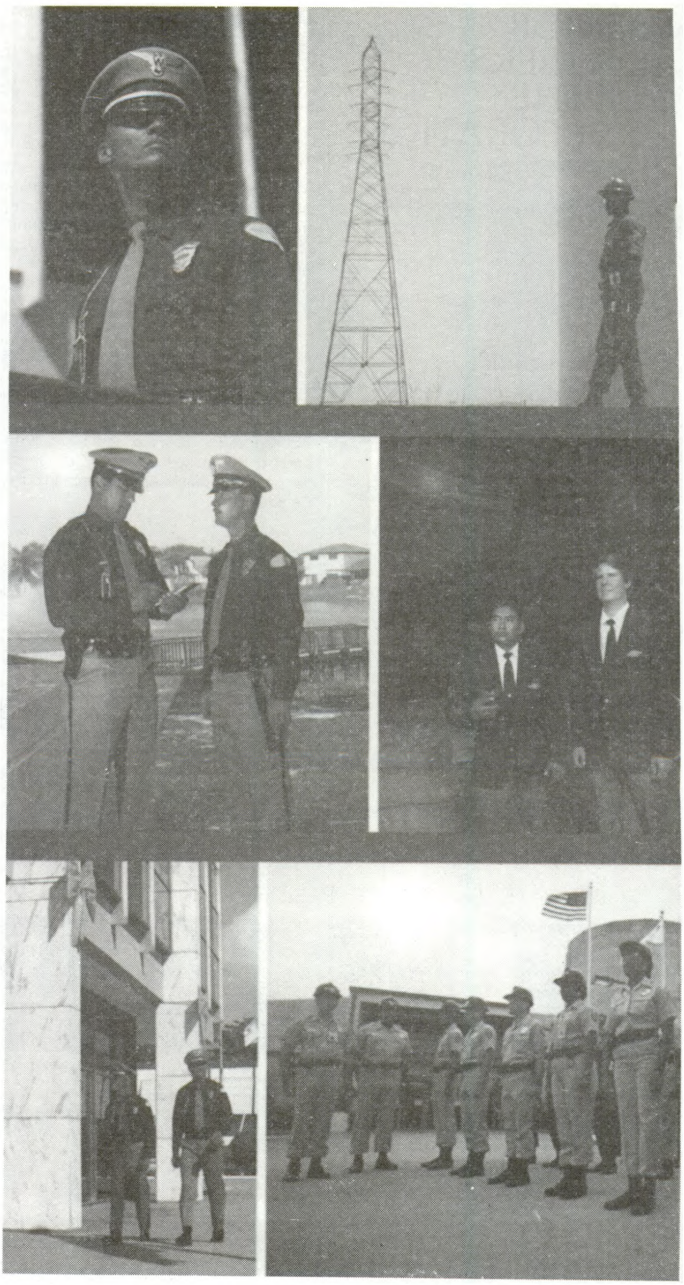
The Custom Protection Division initiated physical security services for the rapid transit public transportation system of Dade County-Miami, Florida, in January. The placement of over 130 specially trained, highly qualified Custom Protection Officers on the line resulted in a significant increase in revenues for the municipal agency, as well as a reduction of crime and adverse incidents. The project stands as a model for the introduction of this service to other urban transportation systems throughout the country.

Arkansas One, a nuclear power generating plant near Russellville, Arkansas, became the latest major utility client to contract with Wackenhut's Nuclear Services Division for security related services, bringing the total number of such contract sites nationwide to thirteen. Wackenhut's Nuclear Services Division team operating with the Florida Power and Light Company was formally recognized as a "Quality Supplier" for its commitment to the principles of continuous quality improvement and customer satisfaction. The award was sequential to FP&L's recent receipt of the highly prestigious Deming Award for its Quality Improvement programs.

Investigative services experienced an increase in its volume of background investigations conducted for corporate and business clients, public utilities, and government agencies. The Special Investigations Division, organized early in the year, expanded the Corporation's capability to serve the financial business community, and introduced the "Banking Compliance Initiative Program" as a proactive due diligence procedure for financial institutions.

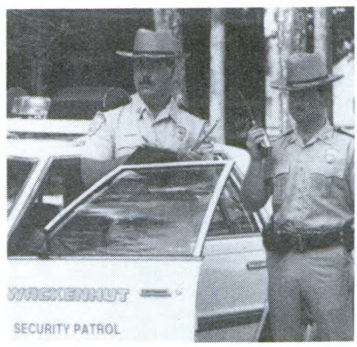
Stellar Systems, Inc., acquired a line of alarm annunciators and monitoring products early in the year, resulting in additional applications of its varied perimeter security products and systems.

The Domestic Operations Group also continued the development of its diversified activities, such as food and support services, travel services, radiological health services and consultations on crisis management.



DOMESTIC OPERATIONS

Through its Domestic Operations Group, The Wackenhut Corporation provides professional security related services to thousands of locations and client facilities throughout the United States. As a provider of total security requirements, the Group provides investigations, executive protection, crisis response, emergency support, training, and technical and electronic assistance. Its client list includes Fortune 500 companies, major industrial complexes, the business and professional communities as well as retail outlets and residential areas.



The quality of Wackenhut's physical security services are often judged by the most visible element – the individual security officer. To insure the high quality and dependability demanded by Wackenhut clients, Wackenhut managers recruit the best people possible and provide training and supervision that are unparalleled in the industry. Training includes not only the legal and functional requirements of their jobs and the importance of appearance, courtesy, and integrity, but also a full appreciation of the fact that they represent the reputation of The Wackenhut Corporation, as well as that of the client facility where they serve.

THE CUSTOM PROTECTION DIVISION is the upper-tier security service, unique to The Wackenhut Corporation, whose officers are comparable in skills, experience and competence to members of elite military or law enforcement units. The Custom Protection Officers have prior service in such units, or else qualify for the Division through college level criminal justice training or graduation from a law enforcement academy. The Custom Protection Officers provide a response to a growing demand for truly effective security services, and represent the most highly qualified contract security officers available to the commercial market. These officers must pass stringent background checks prior to selection as a candidate and then complete training requirements that are well in excess of standard state requirements.

This program was initiated by The Wackenhut Corporation three years ago, and today has resulted in a security staff at many prestigious locations that have experienced reduced employee turnover, an unprecedented quantity of commendatory letters for exemplary job performance, and a measurable positive effect on the overall business profits of many of the contracting organizations.

THE INVESTIGATIONS DIVISION, a cornerstone of the Corporation's operations, provides background investigations with a thoroughness tailored to the standards set by the individual companies or industries being served. It is a leader in the specialized requirements of the nuclear power generating industry for background checks. Wackenhut's ability to draw on the resources of its nationwide network of offices has been found to increase the dependability as well as the timeliness of its reports. Honesty testing and pre-employment screening is another service provided to numerous businesses, nationwide.

Another Wackenhut innovation is the **Silent Witness Program** (also known as the Concerned Employee Action Program) by which honest employees can report internal theft, fraud, or drug usage anonymously to trained operators on a 24-hour hotline. To some organizations, particularly in the retail and manufacturing sectors, Silent Witness is the most cost effective method of loss prevention and control of inventory shrinkage. Honest employees have a person, not a recording, who can take the information from the caller and initiate the report that enables the client to take proper corrective action.

THE SPECIAL INVESTIGATIONS DIVISION handles the complex cases often presented by the legal, financial and business communities. It specializes in the location and recovery of financial assets, the investigative aspects of legal case preparation, securities fraud, white collar crime, and due diligence efforts in merger and acquisition activities.

DOMESTIC OPERATIONS

The Division's Banking Compliance Initiative Program assists financial institutions in meeting the new and enhanced due diligence responsibilities created by recent court decisions regarding collateral and deposit reliability, as well as governmental enforcement actions and regulatory review procedures which now affect the banking industry.

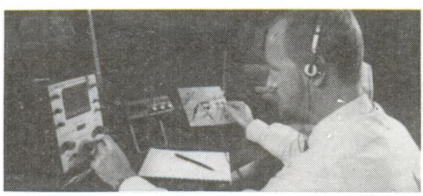
The **executive protection** services of the Corporation are extended not only through the highly professional Wackenhut specialists in this area, but also to the training of individual members of an interested company's security staff, to include weapons familiarization, tactical procedures and high speed driving techniques.

Maritime security, vulnerability assessments, risk analyses, crisis management training and operations, eavesdropping countermeasures and covert video surveillance are also among the extremely diverse capabilities of The Wackenhut Corporation in the domestic market. The Corporation's **International Risk Forecast,** a real time, computer based source of information and analysis for eighty different countries, is also available to the domestic commercial market. The Domestic Operations Group also includes **SECURE TRAVEL SERVICES, INC.**, which draws on the assets of the Corporation's security capabilities as a value-added service to corporate and business travellers.

Security related service to the nuclear power generating industry is a particular specialty for which the Corporation has an excellent reputation and record of performance. Typically, the **NUCLEAR SERVICES DIVISION** security programs include priority attention to the Quality Assurance program which is established at each site. During the past year, the Corporation was presented the "Quality Supplier Award" by the Florida Power and Light Company, which was the first American company to earn Japan's Deming Award, the world's most prestigious recognition for quality performance and improvement.

The expanding number of major utility clients who have entrusted security and/or fire watch operations to Wackenhut's Nuclear Services Division is testimony to its reputation for excellence:

ARKANSAS	- Arkansas Nuclear One, Russellville
CALIFORNIA	- Rancho Seco Nuclear Generating Station
FLORIDA	- Plant St. Lucie
	- Plant Turkey Point
LOUISIANA	- Waterford 3 Steam Electric Station
MASSACHUSETTS	- Pilgrim Nuclear Power Station
MISSISSIPPI	- Grand Gulf Nuclear Station
NEBRASKA	- Fort Calhoun Nuclear Station
NEW JERSEY	- Salem and Hope Creek Generating Stations
NEW YORK	- Robert Ginna Nuclear Power Plant
	- Indian Point Nuclear Generating Station
SOUTH CAROLINA	- Virgil C. Summer Nuclear Station
TEXAS	- South Texas Project









Services to the nuclear industry also include nuclear technicians and specialists in radiological support services, including health physics, radiation protection, environmental programs, and emergency preparedness planning and training.

Through its **SUPPORT SERVICES DIVISION**, the Corporation's physical security capabilities also extend to the protection of personnel and property during plant emergencies, labor-management disputes and natural disasters. Security personnel and operational staff are available on short notice to any plant or facility, or network of such sites, through the use of Wackenhut's nationwide assets. The Support Services Division can also provide on-site food preparation through the use of its mobile kitchen equipment, pre-positioned at regional support centers, and can supply linens, cots and recreational items. The capabilities of the Support Services Division have been expanded to include longer term food service to a wide range of institutional settings with full management and oversight by the Corporation's professional staff of dieticians and skilled administrators.

The professionalism of Wackenhut's security related services is also well known to the sports and entertainment industry because of its presence at convention centers, sporting events, racetracks, and auditoriums. **WACKENHUT SPORTS AUTHORITY, INC.** can provide security planning and risk assessment as well as security personnel to planners of events which draw large audiences, and can also support them with crowd control measures, ticket attendants and ushers.

WACKENHUT AIRLINE SERVICES, INC., is a Corporate subsidiary with a presence at over 100 airports, providing security services and predeparture screening of passengers in accordance with the standards of the FAA and major international carriers. The Wackenhut Corporation's service to the airline industry extends to its operation in the Far East, Central and South America and Europe and includes risk





DOMESTIC OPERATIONS

assessments and cargo area security measures. Baggage service and claim operations can also be provided by the same management group.

The Domestic Operations Group includes the subsidiaries, **AMERICAN GUARD AND ALERT, INC.**, which protects the 800-mile trans-Alaska oil pipeline, and **WACKENHUT OF ALASKA, INC.**, which provides security at the North Slope oil fields, and other industrial and business concerns in our northernmost State.

STELLAR SYSTEMS, INC., the world's technical leader and major supplier of outdoor perimeter security products, is another key part of the Domestic Operations Group. It can satisfy the full range of above-ground and below-ground perimeter protection requirements for defense installations, correctional sites, nuclear power generating facilities and high risk industrial complexes. Central to Quality Control for Stellar Systems is its environmental test site in Santa Clara, California, where all Stellar products are operated and monitored under outdoor conditions, 24 hours-per-day, year round. It is also used for product development and equipment evaluation, and is augmented by independent test facilities in other parts of the country to insure exposure to all possible environmental conditions.

Due to a recent acquisition, a new line of alarm monitoring products now complement the Stellar MARS family of multiplexed alarm reporting systems first introduced in 1980, and the Miniplex III system introduced in 1989.

The operations and product lines of Stellar Systems, Inc. contribute to the worldwide reputation of The Wackenhut Corporation for Total Security programs and for Quality Service and Professionalism in the security industry.











DOMESTIC OFFICES

The services of the Domestic Operations Group may be arranged through area/branch offices of the Corporation located in the following cities:

Alaska
Anchorage

Arizona
Phoenix

California
Los Angeles
West Los Angeles
Colton
San Diego
San Francisco

Colorado
Denver

Connecticut
Hartford

District of Columbia
Washington

Florida
Boca Raton
Bonita Springs
Ft. Lauderdale
Ft. Myers
Jacksonville
Lakeland
Miami
Orlando
Panama City
Pensacola
Sarasota
Tampa
West Palm Beach

Georgia
Atlanta
Columbus

Hawaii
Hilo
Honolulu
Maui

Illinois
Bloomington
Chicago

Indiana
Indianapolis

Kentucky
Ashland
Lexington
Louisville

Louisiana
New Orleans

Maryland
Baltimore

Massachusetts
Boston
Worcester

Michigan
Detroit

Mississippi
Jackson

Missouri
Kansas City

New Jersey
Atlantic City
Newark
Somerset

New Mexico
Albuquerque

New York
Buffalo
Long Island
New York City
Schenectady

North Carolina
Asheville
Charlotte
Greensboro
Raleigh

Ohio
Cincinnati
Cleveland
Columbus
Toledo

Oklahoma
Oklahoma City
Tulsa

Oregon
Portland

Pennsylvania
Erie
Philadelphia
Pittsburgh

Rhode Island
Providence

South Carolina
Columbia

Tennessee
Memphis
Nashville

Texas
Austin
Beaumont
Dallas/Fort Worth
Harlingen
Houston
Longview
San Antonio

Utah
Salt Lake City

Virginia
Harrisonburg
Norfolk
Richmond
Roanoke

Washington
Seattle

West Virginia
Charleston

Wyoming
Casper
Gillette

New Government Contracts Add To Corporation's Growth

The assumption of a new $35 million Department of Energy security services contract at Rocky Flats, Colorado; new contracts to provide correctional services to state and municipal agencies; and the renewal of four major federal contracts highlighted a year of continued growth for the Corporation's government services business.

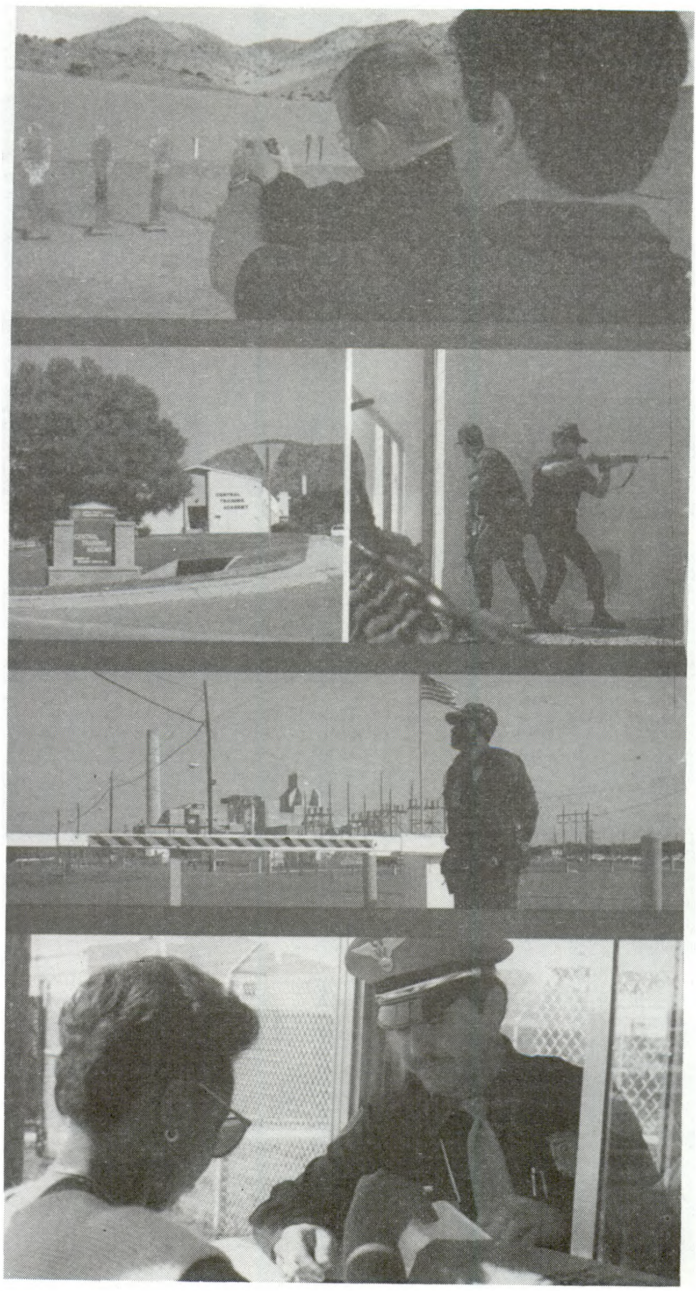
Wackenhut Services, Inc. was contacted by the U.S. Department of Energy in July, 1990, in regard to the assumption of security responsibilities, on short notice, at the Department's Rocky Flats nuclear manufacturing facility, one of several plants in the United States that performs an essential part of the nuclear weapons production process for national defense. Wackenhut Services, Inc. initiated contract security services at the site in August, 1990.

Wackenhut Corrections Corporation experienced a revenue increase from $19 million in 1989 to approximately $34 million by the close of 1990. Its first venture into the operation of a state medium security prison took place in November, with the opening of the Allen Correctional Center under a contract with the Louisiana Department of Safety and Corrections. It is a 600 inmate facility on 55 acres of land, with a capability for expansion to a 1,200 bed capacity.

Wackenhut Corrections was selected during 1990 to design, build and operate a 500-bed work facility prison in Lockhart, Texas. Construction is expected to be completed in 1991, and its operation will feature a cooperative job training effort with private industry.

Wackenhut Health Services, Inc., which provides health care services to all W.C.C. correctional facilities, was awarded contracts during the past year to also provide health care services to publicly operated correctional sites in Boston, Massachusetts; Naples, Florida; and Akron, Ohio.

After a competitive bidding process, the U.S. Department of Labor awarded a follow-on contract to Wackenhut Services, Inc. (W.S.I.) to continue to operate the Job Corps Center in Guthrie, Oklahoma, which it has managed since July, 1985. In May, 1990, W.S.I. renewed its contract to manage and staff the U.S. Department of Energy's Central Training Academy in Albuquerque, New Mexico. Other competitive wins during the year included plant security and fire protection at the U.S. Army's Lake City Army Ammunition Plant in Independence, Missouri; and Holston Army Ammunition Plant in Kingsport, Tennessee.



GOVERNMENT SERVICES

WACKENHUT SERVICES, INC. (W.S.I.) is the principal arm of The Wackenhut Corporation in providing a wide range of services to state, county and municipal governments, as well as various agencies of the U.S. Federal Government.



W.S.I. is in the forefront of the Corporation's efforts to offer considerable savings to government agencies through the private operation of many functions which have traditionally been performed by public employees. Wackenhut has extensive experience in such diversified areas as fire protection and emergency medical services, crash-fire-rescue operations at airports, police support duties in security of courthouses and other government/municipal facilities, comprehensive operations and management services, and training of special police units and proprietary security teams.

Government clients who have chosen Wackenhut on the basis of its professional capabilities have also achieved a significant cost saving for the public agency. W.S.I. is well positioned to respond to the steadily increasing trend toward the privatization of government services.

After W.S.I.'s selection in 1990 to provide security services at the Department of Energy's nuclear manufacturing site at Rocky Flats, near Denver, Colorado, the Corporation is now contracted for security-related services at five major U.S. Department of Energy sites throughout the country. Wackenhut responsibilities at the site include the safeguarding of special nuclear materials, tactical response teams, alarm monitoring, traffic enforcement, and related administrative and maintenance responsibilities.

In complying with the government's request for services on short notice at Rocky Flats, W.S.I. demonstrated its unique ability to garner resources and key personnel from the Corporate headquarters and other contract sites in a matter of days to assemble a pre-cleared management team to undertake the responsibilities of a complex security task.

The largest of W.S.I.'s contracts with the Department of Energy is for security services at the Savannah River Site, near Aiken, South Carolina. This 300-square mile facility produces plutonium and tritium for our nation's nuclear arsenal, and is also the site of a naval fuels production facility and a nuclear waste processing plant. Services provided by W.S.I. include an armed and uniformed protective force, traffic and access control, law enforcement, investigations, sabotage prevention and the monitoring of sophisticated alarm equipment. The 800-person protective force includes a canine section, helicopter support and a Special Response Team for emergency situations or disruptive actions.

W.S.I. is a subcontractor of Boeing Petroleum Services in providing protective services at the U.S. Department of Energy's Strategic Petroleum Reserve (S.P.R.) facilities located at seven field sites in southern Louisiana and eastern Texas. The petroleum reserves, stored in underground salt caverns, are essential to the nation's military and economic interests and are secured by a protective force of approximately 300 uniformed officers. W.S.I. also provides contingency planning, and Special Response Teams, and a training program specifically tailored to the S.P.R. mission.

The U. S. Department of Energy's Nevada Test Site, where explosive nuclear devices undergo live testing, has been under the umbrella of W.S.I.'s contract protective services since 1965. The security force at this facility is equipped with helicopters and armored vehicles capable of crossing the vast areas of rough terrain at the 1,350 square mile site. The Security Officers are skilled in tactical operations, as well as the intricacies of crowd control during demonstrations which occur periodically.

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Wackenhut Services, Inc., has operated the Department of Energy's Central Training Academy located on Kirtland Air Force Base in Albuquerque, New Mexico, since its establishment in 1984. With a faculty and staff of over 75 specially selected and highly qualified individuals and an adjunct faculty of additional professionals in specialized disciplines, the Academy provides training to personnel from Department of Energy facilities across the United States. The safeguards and security related courses include special response team tactics, crisis negotiations, crisis management, supervisor and instructor certification, firearms training and management development.

Both fire and security services are provided by W.S.I. at United States Army ammunition plants located at Kingsport, Tennessee, and Independence, Missouri. Wackenhut's security services are also in place at the U.S. Public Health Service's Parklawn Complex in Washington, D.C., and the Knolls Atomic Power Laboratory's Windsor Site Operations in Windsor, Connecticut. The quality of service at each of these major sites, as well as client satisfaction, is monitored closely by the experienced staff; and wide ranging corporate, legal and contract management resources are available for further support from the Corporation's headquarters.

Wackenhut's operation of the Guthrie, Oklahoma, Job Corps Center for the U.S. Department of Labor includes comprehensive operations and management services for this sizable government complex. The

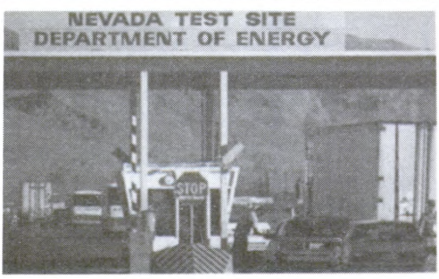


privatized federal project provides a comprehensive vocational environment in a residential setting with vocational and basic educational programs for disadvantaged youths. With a staff of almost 200, W.S.I. has management responsibility for administration of these programs for up to 630 resident participants at any given time, as well as administrative, medical and recreational services, counseling, job placement, security, maintenance and other facility support services.

Wackenhut Services, Inc., has certain programs and organizations which are unique to the Wackenhut organization and firmly establish a breadth of services which differentiate the Corporation from other major companies which provide security related services. These special segments of W.S.I. include the Integrated Training Resources Division, the International Risk Forecast service, and the Maritime Security Division. Each of these entities crosses the boundary







between the Corporation's government and commercial client base, since their service offerings are in a position of increasing demand in both sectors.

Integrated Training Resources (I.T.R.) is located in New Mexico and offers security related training and instruction to government and commercial clients. Through an arrangement with the University of New Mexico, it awards continuing education credits for many of its courses of instruction, whether offered at the I.T.R. location or by one of its mobile training teams at a client location. A highly qualified full-time and adjunct faculty provides tactical training, instruction in firearms and high speed driving techniques, crisis negotiations and response, instructor certification, force-on-force engagement simulation systems, and other related specialty training.

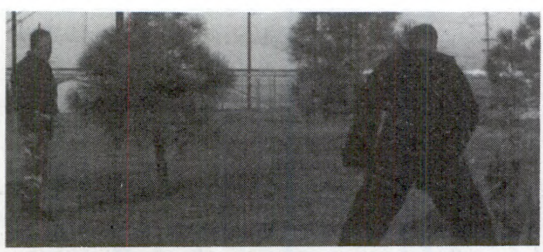
The International Risk Forecast is an electronic database which forwards timely and detailed intelligence to worldwide and multinational clients. It provides alerts of terrorist, political and criminal developments in 80 countries and analyzes how they may affect businesses and individuals operating or traveling overseas. The information is gathered from a variety of sources including the Corporation's network of international offices and is then analyzed by the I.R.F. staff and placed into the database.

The Maritime Security Division is the only one of its kind in the security industry and demonstrates the Corporation's lead in recognizing the potential for maritime terrorism, smuggling, extortion and piracy. Besides providing U.S. Customs Carrier Initiatives assistance, the Division also offers worldwide maritime investigative services, supplementing of shipboard or shoreside security personnel, perimeter security and access control systems, and individualized security assessments of private and commercial seagoing vessels.

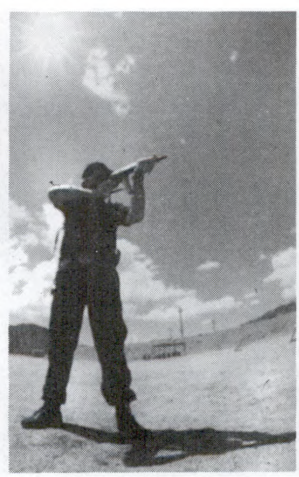
WACKENHUT APPLIED TECHNOLOGIES CENTER, INC. (WATC) based in Northern Virginia, near Washington, D.C., is the Corporation's operational center for the application of technologies in the fields of security and defense. WATC provides access to the latest developments in security technology and the opportunity to perform high visibility, challenging and meaningful programs in the interests of national security and defense.

The WATC mission is to apply operations research, systems analysis, systems engineering and scientific principles to matters, concepts and systems concerned with security and defense programs. Its principal groups are:

- The Systems Engineering and Integration Group, which employs engineering and software/hardware integration skills to implement physical and electronic security systems;
- The Security Systems and Analysis Group, which conducts surveys and requirement studies, and develops implementation plans; and also provides quality assurance and control services to the nuclear power and energy industry; and







- The Defense Systems Analysis Group, which conducts studies of military systems' effectiveness and survivability, develops models and simulation for military applications, performs threat and mission analyses, arms control studies and crisis management planning, provides testing and evaluation support and forecasts technology impact on future military systems.

WACKENHUT CORRECTIONS CORPORATION offers a full range of correctional services to federal, state and municipal agencies throughout the United States, and is positioned to extend them to other countries as well. It stands today as the premier provider of private sector correctional management and support services when judged on the basis of quality of services, financial strength and general liability insurance protection.

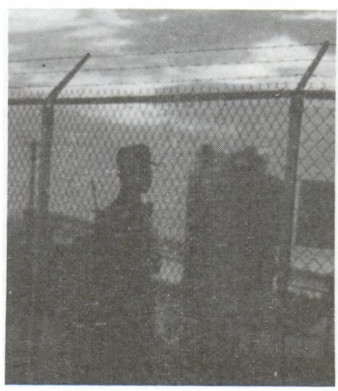
The Wackenhut Corrections staff is particularly adept and experienced in assisting and advising government agencies and community representatives on methods of financing new facility construction, such as tax exempt municipal bonds or certificates of participation, and has developed relationships with major public finance underwriters. Through its established relationships with builders and architects, Wackenhut Corrections Corporation can also assist agencies in identifying opportunities to save costs, as well as time during the planning and construction phases for new facilities.

The Corporation has established model programs in rehabilitation, educational, vo-tech and drug counseling programs at its operating facilities, as well as community oriented outreach projects. Its prison and jail operations include food service, health and medical treatment programs, transportation of prisoners and the full spectrum of logistical tasks required to operate a modern correctional facility.

Wackenhut Health Services, Inc., is the subsidiary which provides the medical staff and services to each Wackenhut Corrections facility and also offers the same quality of professional medical service to correctional/detention facilities which are managed by other organizations or government agencies.

Wackenhut's Support Services Division, in a similar manner, provides comprehensive food service under the supervision of a Corporate staff and regional offices not only to each Wackenhut correctional facility, but to other sites which have not been privatized, or are under the overall management of other private sector organizations.

Wackenhut's endeavor to provide quality service throughout its network of correctional sites is reflected in its broad policy of adherence to the recommended standards of the American Correctional Association (ACA) and in its goal of seeking full accreditation by the ACA as well as state certification at each of its contract sites.





GOVERNMENT SERVICES

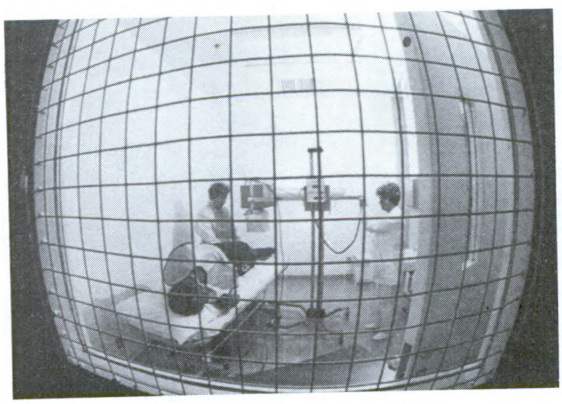
Those correctional/detention facilities under the management of Wackenhut Corrections Corporation as of March, 1991, include:

Location	Type
Aurora, CO	INS detention facility
New York, NY	INS detention facility
McFarland, CA	State return-to-custody correctional facility
Allen Parish, LA	State medium security correctional facility
Bridgeport, TX	State correctional facility
Kyle, TX	State correctional facility
San Antonio, TX	State parole violator prison facility
Detroit, MI	Municipal pre-trial jail facility

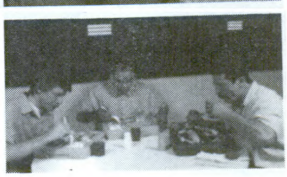
Several other locations and agencies have contracted with Wackenhut for limited services, such as health care or food; and for the operation of other facilities which are presently in the planning or construction stages.

Through the assets of its varied government services subsidiaries and divisions, The Wackenhut Corporation emerges as the true leader in the services industry for innovations and improvements in quality and professionalism.









1990: Year Of Expansion For International Subsidiary

Wackenhut International, Inc., experienced increased revenues in 1990 due to three additional contracts with the U.S. Department of State for security services at overseas Embassies and Missions; growth in the commercial services provided by its worldwide subsidiaries, particularly in Canada and Puerto Rico; and also additional international projects by the headquarters-based Technical Services Division.

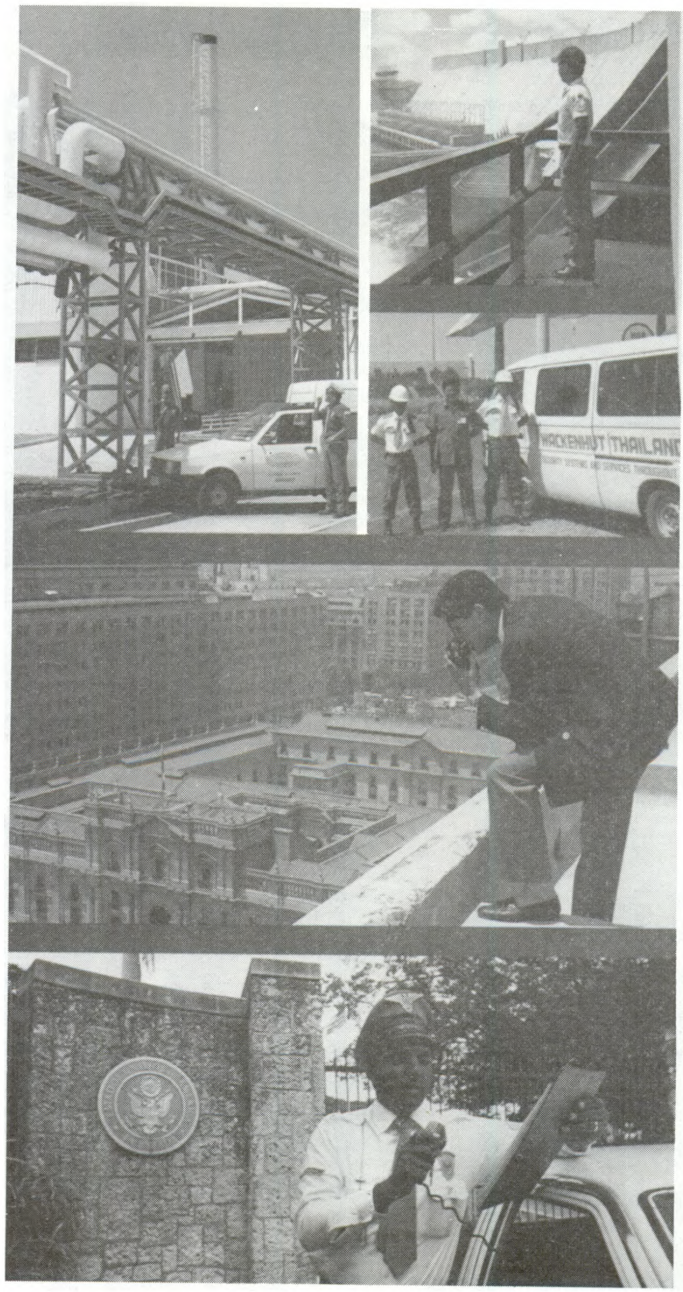
The Corporation was awarded State Department contracts for the protection of government personnel and assets in Costa Rica, The Gambia, and Honduras; and received contract renewals for similar services in Morocco, Peru and El Salvador during the year. The contract in The Gambia marks the Corporation's initial business in that country.

There are now fifteen countries in which Wackenhut International has been entrusted with security services for the U.S. Embassy, Mission, and/or related facilities. During the closing months of 1990, an increased state of readiness was placed in effect at most such locations in reaction to world events related to the United Nations' mandate and military exercises in opposition to the Iraqi invasion and conquest of Kuwait.

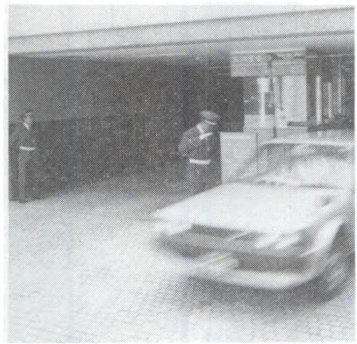
The Corporation's increased business in Canada was due to aggressive expansion in Quebec Province, and the acquisition of a security company headquartered in the city of Quebec. Wackenhut operations in Puerto Rico also experienced substantial revenue and income increases in 1990. Alarm monitoring services were introduced to business and commercial clients in the Philippines, Paraguay, Uruguay and Ecuador during the year.

Wackenhut International's technical services staff, operating from the Corporate Headquarters in Coral Gables, was contracted by Westinghouse Electric Corporation in 1990 to provide security services and technical personnel in support of some of its key overseas projects.

The Persian Gulf crisis of the latter months of 1990 and the war situation of early 1991, created the requirement for increased alert status at the majority of the Corporation's worldwide security operations. The job performance and crisis management capabilities of W.I.I. was tested to extreme limits, and each challenge was met in a completely professional manner.



INTERNATIONAL OPERATIONS



Wackenhut International, Inc. (W.I.I.), is the operating unit which coordinates the varied operations of The Wackenhut Corporation in over forty countries, on six continents. The following pages list the locations of the W.I.I. subsidiaries, affiliates, licensees and representatives.

This professional network enhances the Corporation's ability to provide comprehensive security-related services to multinational corporations and other businesses operating across international borders. The network also provides private sector sources of information for the Corporation's International Risk Forecast, a computer-based data bank of information and risk analyses in eighty different countries. It is continuously updated as a service to international corporate and business clients.

International capabilities include physical security services, executive protection, alarms, investigative services, and security analysis. Certain countries have additional services, such as the armored car and payroll transport services in Ecuador, and the collection of highway tolls in Colombia.

W.I.I. specializes in conceptual design and engineering of security systems, to include alarm monitoring, access control, central station and consulting services throughout the world. Wackenhut International has a separate trading division for the procurement, supply and sale of security-related systems and equipment in the international arena.

The Corporation takes patriotic pride in its selection by the U.S. Government to protect government officials, U.S. citizens, and physical assets at an increasing number of United States Embassies and Missions in other countries.

Some locations present particular challenges because of the presence of active insurgencies or the likelihood of terrorist activities. The Corporation pledges its commitment to continued quality performance at each site, particularly in view of the high level of confidence placed in Wackenhut's professional approach to contract performance by U.S. government agencies and officials.

The Corporation's distinguished business partners throughout the international community of nations have extended their full range of professional services to their local governments, and have been entrusted with an array of critical and sensitive tasks, such as protection of dams, highways, airports and government personnel and buildings.

Wackenhut's international capabilities far exceed those of any other U.S.-based private security organization and its international development and diversification represent principal discriminators, further identifying The Wackenhut Corporation as the premier provider of worldwide security related services.

The Corporation's vision of the future includes, as an integral part of its planning process, continued marketing of its international capabilities and expansion of its client base in both the governmental and commercial sectors — made possible through increased recognition of the Integrity, Professionalism, and Quality of its international line of services.



Worldwide Locations

Subsidiaries, Affiliates, Licensees and Representatives

ARGENTINA
SEARCH ORGANIZACION DE SEGURIDAD, S.A.
Fernando Kelly, President
Tronador 543
Buenos Aires 1427
(Capital Federal), Argentina
Tel.: (011-54-1) 551-2488 &
552-2364/4763
Fax: (011-54-1) 553-2176

NET ALARM, S.A.
Gabriel Taraciuk, President
Tronador 529
Buenos Aires 1427
(Capital Federal) Argentina

AUSTRALIA
INTELLISEC AUSTRALIA PTY. LTD.
Steve Benton, Managing Director
122 Castlereagh St., Sydney
New South Wales 2000 Australia
Tel.: (011-61-2) 925-0899

BELIZE
WACKENHUT BELIZE LIMITED
Mario Rodriguez, Deputy Project Manager
Upper Flat
Save U Supermarket
Belize City, Belize C.A.
Tel.: (011-501-2) 31419
Fax: (011-501-2) 30802

BRAZIL
GRW, Ltda
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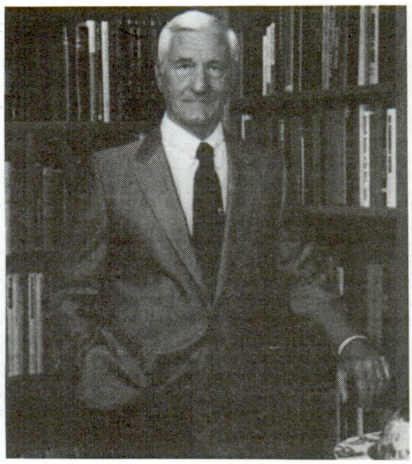
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George R. Wackenhut

George R. Wackenhut is Chairman of the Board and Chief Executive Officer of the Corporation. He was President of the Corporation from the time it was founded until April 26, 1986. He formerly was a Special Agent of the Federal Bureau of Investigation. He is a member of the Board of Directors of SSJ Medical Development, Inc., Miami, Florida, and is on the Dean's Advisory Board of the University of Miami School of Business. He is on the National Council of Trustees, Freedoms Foundation at Valley Forge, and the President's Advisory Council for the Small Business Administration, Region IV. He is a past participant in the Florida Governor's War on Crime and a past member of the Law Enforcement Council, National Council on Crime and Delinquency, and the Board of Visitors of the U.S. Army Military Police School. He is also a member of the American Society for Industrial Security. He was a recipient in 1990 of the Labor Order of Merit, First Class, from the government of Venezuela. Mr. Wackenhut received his B.S. degree from the University of Hawaii and his M.Ed. degree from Johns Hopkins University. Mr. Wackenhut is married to Ruth J. Wackenhut, Secretary of the Corporation. (a)(f)

MEMBERS OF THE BOARD OF DIRECTORS

John S. Ammarell was Executive Vice President of the Corporation from 1959-83 and is presently a Senior Consultant to the Corporation. He was President of Newberry College, Newberry, S.C. from May 1984 to July of 1986. Prior to joining The Wackenhut Corporation in 1958, he was a Special Agent of the Federal Bureau of Investigation. Mr. Ammarell received his A.B. degree from Muhlenberg College and was awarded an honorary Doctor of Laws Degree by Muhlenberg in 1986. (a)(f)

Robert E. Chasen is President of Robert E. Chasen and Assoc., Inc., a management consulting firm. He is currently a Senior Consultant to The Wackenhut Corporation. After serving as a Special Agent of the Federal Bureau of Investigation, Mr. Chasen joined the International Telephone and Telegraph Corporation in 1952. At ITT, he was elected President and Chairman of the Board of the Federal Electric Corporation, a major ITT subsidiary, and then served as ITT Group Vice President of the Government and Commercial Services Group. In 1977, after 25 years of ITT service, Mr. Chasen retired to accept the post of United States Commissioner of Customs, which he held until late 1980. He was graduated in 1943 from Benjamin Franklin University with a B.C.S. degree. (b)(d)



John S. Ammarell
Robert E. Chasen

Frederick M. Glass is a financial and management consultant. He formerly was Vice Chairman and Chief Financial Officer of Thinc Group, Inc.; Executive Vice President and a Director of Hertz Corporation; President, Chief Executive Officer, and a Director of National Car Rental System; and President, Chief Executive Officer and a Director of Prudential Funds, Inc. He presently serves as a Director of Avemco Corporation, an aviation insurance company; Premier Life Insurance Company; and Gencor Industries, Inc., an asphalt equipment manufacturer. Mr. Glass is a graduate of the University of Mississippi and Northwestern University School of Law. He holds degrees of Bachelor of Arts, Bachelor of Laws, Doctor of Jurisprudence and Master of Laws. (a)(c)(g)

Willis M. Hawkins is a Senior Advisor and former director of Lockheed Corporation. Mr. Hawkins served in various capacities at Lockheed from 1937, until he retired in May, 1974, as Senior Vice President of Science and Engineering. In December, 1976, he was recalled to serve as President of Lockheed-California Company and as Corporate Senior Vice President. He retired as Senior Vice President in January, 1980, and from the Board of Directors in May, 1980. During his career, he played a major role in the design and development of many Lockheed aircraft, missile systems, and space vehicles, and had top level managerial responsibility for extensive space programs. He served from 1978-1980 as a Trustee of the Riverside Research Institute, a non-profit contract research and analysis company. During 1963-66, he served as Assistant Secretary of the Army for Research and Development. He is a Director of Avemco Corporation, an aviation insurance company. Mr. Hawkins was graduated from the University of Michigan in 1937 with a B.S. degree in aeronautical engineering and is the recipient of an Honorary Doctor of Engineering degree from the University of Michigan and an Honorary Doctor of Science degree from Illinois College. He is a member of numerous professional societies, including Tau Beta Pi (honorary engineering society) and the National Academy of Engineering, and is an Honorary Fellow of the American Institute of Aeronautics and Astronautics and a Fellow of the Royal Aeronautical Society. He was awarded the National Medal of Science by President Reagan in 1988. (c)(e)



Frederick M. Glass, Willis M. Hawkins, Paul X. Kelley, Robert Q. Marston.

Paul X. Kelley is the Vice Chairman of Cassidy and Associates, Inc., a government relations firm in Washington, D.C. He is also on the Board of Directors of Allied-Signal, Inc., an aerospace, automotive products, and engineered materials company; American Security Bank, N.A.; GenCorp, Inc. a propulsion, defense electronics, and ordnance company; The Holden Group, a financial services company; Brassey (U.S.), a publishing company; PHH Corporation, a vehicle, relocation, and facilities management services company; Sturm, Roger and Co., Inc., a small arms company; and United Services Life Insurance Company. He is the former Commandant of the Marine Corps, having retired as a four-star General in 1987. As a Marine officer, he commanded an infantry battalion in Vietnam during 1966; and during 1970-71, he commanded the 1st Marine Regiment, the last Marine ground combat unit to leave Vietnam. He later commanded the 4th Marine Division, and was the first commander of the Rapid Deployment Joint Task Force, a four service force headquartered in Florida. He is the recipient of numerous awards for valor and distinguished service during over thirty-seven years of active military service. General Kelley has a B.S. in economics from Villanova University and is a graduate of the Air War College. He has been awarded honorary doctoral degrees by four major universities. (b)(e)

Robert Q. Marston is Chairman of the Board of Cordis Corporation, a health products company. He was President of the University of Florida for a decade, 1974-1984, and he became President-Emeritus on September 1, 1984. Prior to assuming the University of Florida post, Dr. Marston was Vice Chancellor and Dean of Medicine at the University of Mississippi, Jackson; Director of the National Institutes of Health, Bethesda, MD; Scholar in Residence, University of Virginia, Charlottesville, and Distinguished Fellow at the National Academy of Sciences, Washington, D.C. He is a Director of Johnson & Johnson, a health products company; and the First National Bank of Alachua, Florida. He is also Chairman of the Safety Advisory Board of General Public Utilities for the clean-up of Three Mile Island. He is past Chairman of the National Association of State Universities and Land Grant Colleges, and a member of senior national medical organizations in his field, including medical components of the National Academy of Sciences. He is Chairman of the Commission on Medical Education of the Robert Wood Johnson Foundations, and an advisor to the National Academy of Sciences. He is also a member of the Board of Visitors of Virginia Military Institute. Dr. Marston received a B.S. degree from the Virginia Military Institute, an M.D. degree from the Medical College of Virginia and a B.S. degree from Oxford University. He is a Rhodes Scholar and a Markle Scholar. (b)(d)(g)

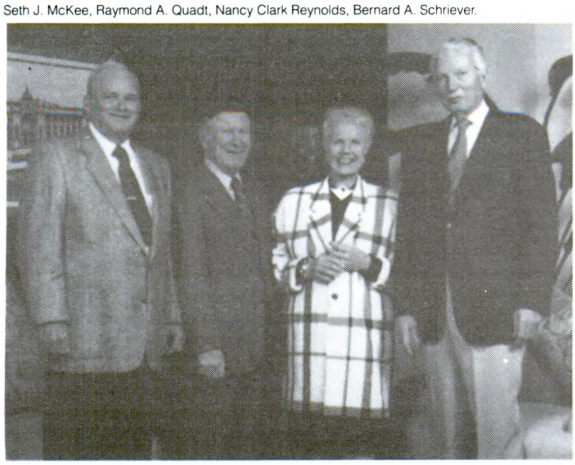
Seth J. McKee retired from the United States Air Force in 1973 after 38 years of military service. At retirement, he was the Commander-in-Chief of the North American Air Defense Command. He also served as Assistant Vice Chief-of-Staff of the United States Air Force in 1968-69; Commander of the United States Forces in Japan and the 5th Air Force from 1966-69; Director of Plans of DSC/Plans and Operations, and Assistant Deputy Chief-of-Staff/Plans and Operations for Joint Chiefs of Staff Matters at the United States Air Force Headquarters, 1965-1966. General McKee has a B.A. Degree from the University of Oklahoma and is a graduate of the United States Air Force Air Command and Staff School. Since retirement from the Air Force, he has served as consultant to/or Director of a number of U.S. corporations. (c)(e)

Raymond A. Quadt is Vice Chairman of Sunstate Bancshares, Inc., an Arizona bank holding company; Board Member and Treasurer of Arizona Vision Service Plan, an eye care provider to employee groups; and Advisory Board Member of Interactive Media Technologies, which specializes in multimedia development of computer based interactive video products and software systems. He was formerly consultant for Phoenix Cement Company (1980-83) and served as its President from 1973-80. He was formerly Vice President of Pascoe Steel Corporation, a designer and producer of prefabricated steel buildings; Chairman of the Board of Loud Company, a firm engaged in the machining of castings; Vice President of Special Metals Division of Bridgeport Brass Company; President and General Manager of Reactive Metals, Inc., a producer and fabricator of titanium and zirconium for the aerospace, missile, and nuclear industry; Vice President of Research of the Hunter Douglas Aluminum Corporation; and General Manager of the Aluminum Department of American Smelting and Refining Company. He is Director, and Secretary/Treasurer of Travel VIP, Inc., a travel agency. Mr. Quadt received his B.S. degree from Rutgers University, his M.S. degree from Stevens Institute of Technology, and his M.A. degree from Columbia University. (a)(c)(g)

Nancy Clark Reynolds is Vice Chairman of The Wexler Group, a governmental relations and public affairs consulting firm in Washington, D.C. She currently serves as a Director of Sears, Roebuck & Co. and The Norrell Corporation, a temporary help service firm. She is a member of the Board of Overseers of The Executive Council on Foreign Diplomats and the U.S. Advisory Council of the International Executive Service Corps as well as the Boards of the Bryce Harlow Foundation, and the Economic Club of Washington. She is a past president of the Business and Government Relations Council. She was formerly a Director of the Chicago Mercantile Exchange, G.D. Searle & Co., and Viacom International. From 1977-82, she was a Vice President of the Bendix Corporation. She received her B.A. degree in English from Goucher College and a Honorary Degree of Laws from Gonzaga University.(b)(e)(f)

Bernard A. Schriever is a technical and management consultant and serves as a Director of Emerson Electric Company, an electrical equipment manufacturing firm; and Advance Technology Ventures, a venture capital group involved in high technology companies. He previously served as Chairman of the President's Advisory Council on Management Improvement. He is a former member of the President's Foreign Intelligence Advisory Board. In 1966, he retired as a General of the United States Air Force, specializing during the last 17 years of his military career in military research and development programs and from 1959-66, he served as Commander of the Air Force Systems Command. General Schriever has a B.S. degree from Texas A & M University, an M.S. degree in aeronautical engineering from Stanford University, and nine honorary doctoral degrees from various American colleges and universities. He is in the Aviation Hall of Fame, an Honorary Fellow of the American Institute of Aeronautics and Astronautics, and a member of the National Academy of Engineering. (d)(e)

Seth J. McKee, Raymond A. Quadt, Nancy Clark Reynolds, Bernard A. Schriever.



Charles J. Simons is a management and financial consultant and Chairman of the Board of General Development Corporation, a land developer. Mr. Simons became Chairman and Chief Executive Officer of General Development Corporation just prior to that firm's chapter 11 Bankruptcy filing. He was employed by Eastern Air Lines from 1940 to 1981 (with the exception of World War II), serving as Vice Chairman, Executive Vice President and Director. He currently is a Director of Workwear, Inc., a work clothes manufacturer and provider; SIII, a space technology firm; G.W. Plastics, a high tech molding company; Allbev, Inc., a bottling company (where he is Chairman of the Board); Bessemer Trust Co. of Florida; and Greenwich Air Services, Inc., an aircraft and engine overhaul service provider. He is also a member of the Board of Directors of the University of Miami Burn Center, a Trustee of Dartmouth Hitchcock Medical Center, and a member of the Board and Treasurer of Mathew Thornton HMO. Mr. Simons received his B.S. degree in business administration from Fordham University, and completed the Advanced Management Training Program of the Harvard University School of Business Administration. (c)(d)(g)

Chesterfield Smith is a Senior Partner of the law firm of Holland & Knight, which rendered legal services to the Corporation during the fiscal years 1989 and 1990, and which has law offices in Bradenton, Ft. Lauderdale, Jacksonville, Lakeland, Miami, Orlando, Tallahassee and Tampa, Florida and in Washington, D.C. He served as President of the American Bar Association from 1973-74, and he served as President of The Florida Bar from 1964-65. He is a Fellow of the American College of Trial Lawyers, the International Academy of Trial Lawyers, the American Bar Foundation and the Florida Bar Foundation. He served as President of the National Conference of Bar Presidents from 1968-69, was a member of the Federal Judicial Nominating Commission of Florida from 1974-77, and a member of the Federal Commission on Executive, Legislative and Judicial Salaries from 1976-77. He is currently a member of the University of Florida Council of Advisors, the Board of Visitors of the University of Miami Law School, and the Board of Visitors of the McGeorge School of Law at the University of the Pacific. Mr. Smith is the recipient of nine honorary degrees from American colleges and universities, and presently serves as a Director and Chairman of the Executive Committee of the Citrus & Chemical Bank, Bartow, Florida; as a Director of Greenwich Air Services, Inc.; as a Director of General Development Corporation, a land developer; and as Chairman of the Board of Trustees of The Emerald Funds. He also serves as an officer or director of several legal or law related organizations, charitable or eleemosynary entities, and public service corporations. He received a J.D. degree with honors from the University of Florida in 1948. (b)(f)(g)



Charles J. Simons, Chesterfield Smith, Richard R. Wackenhut

Richard R. Wackenhut, President and Chief Operating Officer of the Corporation since April 26, 1986, was formerly Senior Vice President, Operations from 1983-86. He was Manager of Physical Security from 1973-74. He also served as Manager, Development at the Corporation's Headquarters from 1974-76; Area Manager, Columbia, SC from 1976-77; District Manager, Columbia SC from 1977-79; Director, Physical Security Division at Corporate Headquarters 1979-80; Vice President, Operations from 1981-82; and Senior Vice President, Domestic Operations from 1982-83. Mr. Wackenhut is Director of Wackenhut del Ecuador, S.A.; Wackenhut UK, Limited; Wackenhut Dominicana, S.A.; and a Director of several domestic subsidiaries of the Corporation. He is a member of the St. Thomas University Advisory Board and a Director of the Florida Chamber of Commerce Crime and Drugs Task Force. He is also a member of the American Society for Industrial Security and a member of the Board of Trustees of Palmer School, a private independent school. He received his B.A. degree from the Citadel in 1969, and completed the Advanced Management Program of the Harvard University School of Business Administration in 1987. Mr. Wackenhut is the son of George R. Wackenhut, the Chairman of the Board of The Wackenhut Corporation, and Ruth J. Wackenhut, Secretary of the Corporation. (a)(d)(f)

(a) Member of Executive Committee
(b) Member of Nominating and Compensation Committee
(c) Member of Audit and Finance Committee
(d) Member of Corporate Planning Committee
(e) Member of Contract Oversight Committee
(f) Member of Fair Employment Practices Committee
(g) Member of Due Diligence Committee

DIRECTOR EMERITUS

Clarence M. Kelley, Director of the Federal Bureau of Investigation from 1973 to 1978 and Chief of Police, Kansas City, Missouri, from 1961 to 1973. He was on the Board of Directors from 1980 to 1986.

IN MEMORIAM

Joseph F. Carroll, Lieutenant General, USAF (Ret.), former Director, U.S. Defense Intelligence Agency, and member of the Board of Directors from 1971 to 1985, passed away in January, 1991.



Senior officers of the Corporation are listed on page five. Other officers are:

J. C. Bachmann
Vice President,
Domestic Business Development
Administration

John W. Bolles
Vice President,
Nuclear Services

John C. Evans
Vice President,
Government Services

Thomas C. Froeba
Vice President,
Labor Relations

A. Robert Frye
Vice President,
Proposal Development

Philip M. Gattuso
Vice President,
Investigations

Thomas P. Gilmer, Jr
Vice President,
Technical Operations

Alfredo J. Guastella
Vice President,
Domestic Operations

Timothy J. Howard
Vice President,
Associate General Counsel and
Assistant Secretary

John M. Krysakowski
Vice President,
Corporate Business Development

Murray Levine
Vice President,
South Florida Region and Custom
Protection Services

Leslie L. Lobaugh
Vice President,
International Operations

Sandra L. Nusbaum
Vice President,
Human Resources

James P. Rowan
Vice President,
General Counsel and Assistant
Secretary

Michael J. Simpson
Vice President,
Management Information Services

George A. Zeiss
Vice President,
Client Relations

George C. Zoley
Vice President,
Corrections

Paul N. Brownell
Tax Advisor and Assistant Treasurer

Juan D. Miyar
Controller and Assistant Treasurer

MAJOR SUBSIDIARIES OF THE CORPORATION

Wackenhut Services, Inc.
Coral Gables, Florida
President: Timothy P. Cole

Wackenhut Corrections Corporation
Coral Gables, Florida
President: George C. Zoley

Wackenhut International, Inc.
Coral Gables, Florida
President: Fernando Carrizosa

Wackenhut Airline Services, Inc.
Coral Gables, Florida
President: J. A. LeBlanc

Wackenhut Sports Authority, Inc.
Coral Gables, Florida
President: Alan B. Bernstein

Secure Travel Services, Inc.
Coral Gables, Florida
President: Richard R. Wackenhut

Stellar Systems, Inc.
Santa Clara, California
President: Thomas P. Gilmer, Jr

Wackenhut Applied Technologies Center, Inc.
Fairfax, Virginia
President: Timothy P. Cole

Wackenhut of Alaska, Inc.
Anchorage, Alaska
President: Donald L. Evans

American Guard and Alert, Inc.
Anchorage, Alaska
President: Donald L. Evans

THE WACKENHUT CORPORATION AND SUBSIDIARIES

FINANCIAL REVIEW



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THE WACKENHUT CORPORATION AND SUBSIDIARIES

MARKET FOR THE CORPORATION'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Corporation's common stock is traded on the New York Stock Exchange under the symbol WAK. Regular quarterly dividends of $ .15 per share were declared in 1990 and 1989. The Corporation intends to declare future quarterly cash dividends, depending on its earnings, financial condition, capital requirements and other relevant factors.

The Senior Note Agreement with two insurance companies requires the Corporation to maintain a minimum of $27,000,000 in Consolidated Tangible Net Worth increasing by 25% of Consolidated Net Income on a cumulative basis from September 1, 1990. In addition, certain payments and distributions, as defined, including dividends, are limited in the aggregate to the sum of $5,000,000 plus 50% of Consolidated Net Income computed on a cumulative basis from December 31, 1989.

The ensuing table shows the high and low sales prices for the Corporation's common stock, as reported on the New York Stock Exchange, for each quarterly period during the fiscal years 1990 and 1989. The prices shown in the table have been rounded to the nearest 1/8th.

	Fiscal Year 1990		Fiscal Year 1989	
Quarter	High	Low	High	Low
First	$27-7/8	$22-3/4	$18-5/8	$17
Second	29	23-5/8	18-1/8	17
Third	25-1/4	20-5/8	19-3/8	17-1/8
Fourth	23-5/8	18-5/8	24-3/4	18-3/4

THE WACKENHUT CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto, which are included at the end of this Annual Report.

For fiscal years:	1990	1989	1988	1987	1986
(In thousands except per share amounts)					
RESULTS OF OPERATIONS:					
Revenues	$521,191	$462,181	$400,996	$381,972	$328,795
Income before income taxes	10,180	8,370	7,261	8,219	3,659
Provision for income taxes	3,217	2,496	2,066	2,559	1,241
Net income	6,963	5,874	5,195	5,660	2,418
NET INCOME PER SHARE OF COMMON STOCK (1)	$ 1.80	$ 1.52	$ 1.35	$ 1.47	$ .63
DIVIDENDS PER SHARE OF COMMON STOCK:					
Cash	$ .60	$ .60	$ 3.60	$ .60	$ .60
FINANCIAL CONDITION:					
Working capital	$ 42,413	$ 40,635	$ 34,954	$ 35,588	$ 31,572
Total assets	164,085	157,681	150,318	130,439	115,930
Current portion of long-term debt	—	2,825	1,500	—	—
Long-term debt	46,850	48,500	45,558	10,600	8,400
Shareholders' interest	37,865	33,616	30,528	39,653	36,191

(1) The average shares outstanding are 3,858,885 for all years.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY

Net working capital was $42,413,000 at December 30, 1990. The ratio of long-term debt to total capitalization (long-term debt plus equity) was 55.3% at December 30, 1990 compared to 59.1% at the end of the previous year. The Corporation's return on average stockholders' equity was 19.5% for 1990 compared with 18.3% in 1989.

Cash flow provided from operations for fiscal year 1990 amounted to $8,789,000, and was used principally to reduce outstanding bank borrowings, for capital expenditures and for the payment of dividends.

In 1990, Management made significant changes to the financing arrangements of the Corporation and believes that these changes, together with cash generated from operations, provide adequate funds for the continued growth of the Corporation.

On October 23, 1990, the Corporation entered into a Note Agreement (the "Agreement") with two insurance companies that provides for the issuance and sale of its $25,000,000 Senior Notes. The Notes bear interest at 10.2% per annum, payable quarterly, commencing December 31, 1990.

The Agreement requires the Corporation to make four annual payments of $5,000,000 each beginning September 30, 1996 with the remaining outstanding principal amount becoming due on September 30, 2000. Under the terms of the Agreement, the Corporation is required to maintain a minimum of $27,000,000 in Consolidated Tangible Net Worth increasing by 25% of Consolidated Net Income on a cumulative basis from September 1, 1990. Under other restrictive provisions of the Agreement, the Corporation is required to maintain certain debt to net worth and fixed charge coverage ratios. The payment of dividends and certain types of investments are also restricted. The Note proceeds were used principally to reduce the outstanding indebtedness under the Company's previous lines of credit with a bank.

On December 18, 1990, the Corporation entered into a new credit agreement with a bank which provides for a $25,000,000 revolving loan that bears interest at the prime lending rate or lower and requires the Corporation to comply with essentially the same covenants as in the Senior Note Agreement with the two insurance companies. The balance of the principal amount under the revolving loan is due on December 31, 1994. Outstanding borrowings under the revolving line of credit amounted to $3,600,000 at December 30, 1990.

In 1990, the Corporation extended the $18,250,000 mortgage note on its Headquarters building. The mortgage note bears interest at the prime lending rate or lower, and principal payments of $182,500 are due quarterly commencing March 30, 1992 with the remaining principal amount due on May 30, 1995.

Since 1988, the Corporation has elected not to claim as deductions in its consolidated income tax returns certain reserves of its casualty reinsurance subsidiary. This action resulted in the payout of additional Federal income taxes of approximately $2,000,000 in 1990, and it is estimated that approximately $2,000,000 will also be paid in 1991. The taxes paid as a result of this election will be recovered in future years, when the expenses are deductible. During fiscal year 1990, the Corporation paid the last installment of approximately $3,200,000 of the Federal income tax liability that had resulted from the provisions of the Tax Reform Act of 1986.

Management continues to pursue contracts to administer and provide security to detention centers. These contracts require initial outlays of cash for start-up costs and, in certain cases, for the renovation of facilities which are partially or fully recoverable over the original term of the contracts.

Management is unaware of any evident trends that are likely to result in material increases or decreases in the liquidity of the Corporation, except for the payment of Federal income taxes and the initial capital outlays related to additional detention centers, as discussed above. The Corporation currently does not have any commitments that would require large amounts of cash, and although Management is constantly reviewing matters which could require significant outlays of cash, these matters are reviewed in light of the availability and appropriateness of financing.

CAPITAL RESOURCES

Current cash requirements consist of amounts needed to pay Federal income taxes, the initial capital outlays related to detention centers, routine purchases of equipment and uniforms, and for increases in working capital related to increased revenues. The cash required for these needs will be derived from internally generated funds and additional borrowings, as necessary. There are no known material trends, favorable or unfavorable, in the capital resources of the Corporation, nor are there any expected material changes in either the mix or relative cost of these resources, except for possible changes in interest rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the event that the Corporation would make any material commitment beyond the matters discussed above, capital resources are available under its revolving line of credit with a bank. Management believes that additional resources may be available to the Corporation through a variety of other methods of financing.

RESULTS OF OPERATIONS

The Corporation is in a service business, and accordingly, its business is labor intensive. A small percentage of the Corporation's employees earn the minimum wage or slightly more. Increases in state and Federal wage requirements and increases in salaries and related payroll taxes of other employees have significantly increased both revenues and expenses during the past three fiscal years. Security guard services are billed at a specified rate per hour and generally are subject to renegotiation or escalation if costs increase because of a change in minimum wage laws or other events beyond the control of the Corporation. However, delays in recapturing salary and payroll tax increases through increased fees and rates have a greater effect on results of operations than on those of other, less labor intensive businesses, and have contributed to fluctuations in quarterly income during fiscal years 1990, 1989, and 1988.

1990 COMPARED TO 1989

Revenues for the year ended December 30, 1990 were $59,010,000 (12.8%) higher than revenues in 1989. The increase was largely due to an increase of approximately $24,800,000 in revenues of the Uniformed Guard Services Division, including a new contract with the New York Racing Association's racetracks, which contributed revenues of approximately $16,200,000 in 1990. Security services to U.S. Government facilities were $17,300,000 higher in 1990, largely due to the addition of a new contract with the Department of Energy for security services at Rocky Flats. In addition, revenues of the Corrections Division, which manages correctional facilities, were approximately $14,800,000 higher in 1990, evidencing the Company's successful penetration of the privatization market. The Company continued its expansion of its international operations and increased revenues abroad by approximately $4,800,000. These increases were partially offset by lower revenues of the Nuclear and Travel Divisions.

Security services to U.S. Government facilities, the New York Racing Association's racetracks and the correctional facilities provide lower profit margins than other aspects of the Corporation's business.

The increases in payroll and related taxes of $42,403,000 (12.3%) and other operating expenses of $15,059,000 (14.0%) in 1990 versus 1989 can be related to the services which provided the additional revenues. The contracts with the New York Racing Association, the Department of Energy, and the revenues of the Corrections Division have a larger portion of non-labor costs than other services provided by the Corporation. However, the increase in other operating expenses was partially offset by the judgment against a government agency which amounted to $550,000 and dated back to 1986.

Operating income increased $1,548,000 (16.0%) for the year ended December 30, 1990 compared with 1989 principally as a result of higher profit margins on some traditional services and the acquisition of the Rocky Flats contract. Other improvements in operating income occurred because of improved profitability from investigative services and from the judgment against a government agency. These gains were partially offset by the costs incurred in the formation of a dedicated sales force for the Uniformed Guard Services Division and by a decrease in the operating income of Stellar Systems, Inc.

Interest expense was $521,000 (9.7%) lower in 1990 compared to 1989, principally as a result of the reduction in interest rates. Conversely, the decrease in interest rates was a significant factor that contributed to the reduction in interest income of $331,000 (9.0%) in 1990 as compared with 1989. In the fourth quarter of 1990, the Corporation recorded interest in the amount of $203,000 related to the judgment against the government agency mentioned above. However, principally as a result of the decrease in interest rates, investment income of the casualty reinsurance subsidiary was $418,000 lower in 1990 compared to 1989.

The increase in the provision for income taxes of $721,000 (28.9%) was due principally to the increase in income before income taxes of $1,810,000 (21.6%) and lower targeted job tax credits. The effective tax rates for the years 1990 and 1989 were lower than the statutory corporate tax rate mainly as a result of targeted job tax credits.

Net income increased $1,089,000 (18.5%) due to the factors mentioned above.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIRTEEN WEEKS (QUARTER) ENDED DECEMBER 30, 1990 COMPARED TO THIRTEEN WEEKS ENDED DECEMBER 31, 1989.

Revenues for the quarter ended December 30, 1990 were $13,577,000 (11.3%) higher than revenues for the same period in 1989, and net income increased $322,000 (18.3%).

Revenues of the Uniformed Guard Services Division increased approximately $6,300,000 in the fourth quarter of 1990. A new contract with the New York Racing Association's three racetracks contributed revenues of approximately $4,000,000. Revenues from security services to U.S. Government facilities were approximately $9,200,000 higher during the quarter, principally due to the acquisition of a new contract with the Department of Energy for security services at Rocky Flats. In addition, revenues of the Corrections Division, which manages correctional facilities, were approximately $1,300,000 higher. These increases were partially offset by lower revenues of the Nuclear Division. The Travel Division also recorded lower revenues as a result of the sale of some of its branches in December 1989.

Revenues from security services to U.S. Government facilities, the New York Racing Association's racetracks and the correctional facilities provide lower profit margins than other aspects of the Corporation's business.

The increases in payroll and related taxes of $12,372,000 (13.9%) and other operating expenses of $1,011,000 (3.5%) in the fourth quarter of 1990 versus 1989 are related to the services which provided the additional revenues. The contracts with the New York Racing Association, the Department of Energy at Rocky Flats and the Corrections Division have a larger portion of non-labor costs than other services provided by the Corporation. However, the increase in other operating expenses in the fourth quarter of 1990 was not in line with the increase in revenues for the same period, principally as a result of significant decreases in the amortization of start-up costs of the Corrections Division and the direct costs of the Travel Division resulting from the sale of some of its branches.

Operating income increased $194,000 (6.9%) for the quarter ended December 30, 1990 compared with 1989 principally as a result of higher profit margins on some of the Corporation's traditional services and the acquisition of the Rocky Flats contract. Other improvements in operating income occurred because of a reduction in the operating losses of Wackenhut Applied Technologies Center, Inc. and the improved profitability from investigative services. These gains were partially offset by the costs incurred in the formation of a dedicated sales force for the Uniformed Guard Services Division and by a decrease in the operating income of Stellar Systems, Inc.

Interest expense was $137,000 (9.6%) lower for the fourth quarter of 1990 compared to the same period in 1989 principally as a result of the decrease in interest rates. Conversely, the decrease in interest rates adversely affected interest income, which increased only $28,000 in the fourth quarter of 1990, compared with the same period in 1989. In the fourth quarter of 1990, the Corporation recorded interest in the amount of $203,000 on the judgment against a government agency mentioned above. However, principally as a result of the decrease in interest rates, investment income of the casualty reinsurance subsidiary was $104,000 lower in the fourth quarter of 1990 compared to the same period in 1989.

In addition to the items mentioned above, net income of the Corporation's foreign affiliates increased $183,000 in the fourth quarter of 1990 compared to the same period in 1989. The increase was principally attributable to the profit contributions of certain affiliates in Europe and the Far East.

The increase in the provision for income taxes of $220,000 (37.2%) was due principally to the increase in income before income taxes of $542,000 and lower targeted job tax credits. The effective tax rates for the fourth quarter of 1990 and 1989 were lower than the statutory corporate tax rate mainly due to targeted job tax credits.

1989 COMPARED TO 1988

Revenues for the year ended December 31, 1989 were $61,185,000 (15.3%) higher than the year ended January 1, 1989. The increase in 1989 was primarily attributable to: (1) increases in regular services to new and existing clients; (2) an increase of approximately $15,000,000 in services to nuclear power plants derived from contracts awarded in the last quarter of 1988 and the first quarter of 1989; and (3) new contracts of the Corrections Division which started in 1989 and contributed approximately $17,000,000 to the increase in revenues. Both the contracts with nuclear power plants and the new contracts with correctional facilities have lower profit margins than other aspects of the Corporation's business; however, the Company has been able to increase its profit margins in some of

its regular services.

Payroll and related taxes increased $41,197,000 (13.6%) in 1989 compared with 1988 principally as a result of the increase in labor costs related to the services which provided the additional revenues.

The increase in operating expenses of $15,625,000 (17.0%) in 1989 compared to 1988 is attributable principally to the increase in expenses related to new contracts with correctional facilities and nuclear power plants. These contracts have a larger portion of non-labor costs than other services provided by the Corporation.

The increase in operating income of $4,363,000 (81.8%) in 1989 compared to 1988 was largely due to the following factors: (1) higher profit margins in the regular guard service business; (2) a reduction in the operating losses of Wackenhut Applied Technologies Center, Inc.; (3) an underwriting profit in the reinsurance subsidiary; and (4) an improvement in the operating results of the Corrections Division due to the start of operations at several locations. These factors were partially offset by reduced margins on contracts of Wackenhut International, Incorporated, and lower profits in some of its foreign subsidiaries. The underwriting profit of the reinsurance subsidiary of approximately $1,000,000 in 1989 resulted from a reduction in losses and loss reserves in parental business compared with an underwriting loss of approximately $500,000 in the parental business in 1988. The underwriting profits and losses of the reinsurance subsidiary are reflected as reductions or increases respectively in other operating expenses.

Interest expense was $3,597,000 higher in 1989 compared to 1988 due to the incurrence of additional debt, higher interest rates and the interest expense ($1,985,000 in 1989 compared to $479,000 for the fourth quarter in 1988) related to the mortgage note on the Headquarters building. A subsidiary of the Corporation acquired the remaining 50% interest in the partnership which owns the Headquarters building (the Corporation owns the other 50% interest) in September 1988. The financial statements of the partnership have been consolidated into the Corporation's consolidated financial statements since that time (see Note 2 to the consolidated financial statements).

Net income increased $679,000 (13.1%) in 1989 over 1988. The Company's effective income tax rates of 29.8% in 1989 and 28.5% in 1988 were lower than the statutory corporate tax rate due principally to targeted job tax credits.

THIRTEEN WEEKS (QUARTER) ENDED DECEMBER 31, 1989 COMPARED TO THIRTEEN WEEKS ENDED JANUARY 1, 1989

The increase in revenues of $18,599,000 (18.3%) for the thirteen weeks ended December 31, 1989 compared to the thirteen weeks ended January 1, 1989 was primarily attributable to the following factors: (1) approximately $6,600,000 contributed by new contracts of the Corrections Division; (2) increases in services to U.S. Government facilities of about $2,000,000; (3) an increase in revenues from food services related to labor dispute contracts of about $1,000,000; and (4) increases in regular services to new and existing clients. The contracts with correctional and U.S. Government facilities carry a lower profit margin than other aspects of the Corporation's business; however, the Company has been able to increase its profit margins in its regular services.

Payroll and related taxes were $10,416,000, (13.3%) higher in the fourth quarter of 1989 compared with the fourth quarter of 1988, principally as a result of the increase in labor costs associated with the services which provided the additional revenues.

The increase in operating expenses of $6,787,000 (30.8%) during the thirteen weeks ended December 31, 1989, compared to the same period in 1988 resulted principally from the increase in expenses related to new contracts with correctional and U.S. Government facilities.

Operating income increased $1,396,000 (99.7%) in the fourth quarter of 1989 compared with the fourth quarter of 1988. The following factors contributed to the increase: (1) higher profit margins in the regular guard service business; (2) an underwriting profit in the reinsurance subsidiary; and (3) an improvement in the operating results of the Corrections Division due to the start of operations at several detention centers since the second quarter of 1989. These factors were partially offset by reduced margins on contracts of Wackenhut International, Incorporated, and lower profits in some of its foreign subsidiaries.

Interest expense was $773,000 higher in the fourth quarter of 1989 than the same period in 1988. The increase was due principally to the increased level of bank borrowings and higher interest rates.

Net income increased $480,000 (37.6%) during the period. The effective income tax rates of 25.3% in the fourth quarter of 1989 and 23.2% in the same period in 1988 were lower than the statutory corporate tax rate due principally to targeted job tax credits.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE FISCAL YEARS ENDED DECEMBER 30, 1990, DECEMBER 31, 1989 AND JANUARY 1, 1989
(In thousands except share data)

	1990	1989	1988
REVENUES	$521,191	$462,181	$400,996
OPERATING EXPENSES:			
Payroll and related taxes	387,615	345,212	304,015
Other operating expenses	122,331	107,272	91,647
	509,946	452,484	395,662
OPERATING INCOME	11,245	9,697	5,334
OTHER INCOME (EXPENSE):			
Interest expense	(4,867)	(5,388)	(1,791)
Interest income	3,356	3,687	3,407
Equity income of foreign affiliates	446	374	311
	(1,065)	(1,327)	1,927
INCOME BEFORE INCOME TAXES	10,180	8,370	7,261
Provision for income taxes	3,217	2,496	2,066
NET INCOME	$ 6,963	$ 5,874	$ 5,195
EARNINGS PER SHARE	$ 1.80	$ 1.52	$ 1.35

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 30, 1990 and DECEMBER 31, 1989
(In thousands except share data)

ASSETS

	1990	1989
CURRENT ASSETS:		
Cash	$ 4,283	$ 4,213
Accounts receivable, less allowance for doubtful accounts of $861 and $1,389	72,964	63,724
Inventories, at cost	5,402	5,221
Other	4,897	5,206
	87,546	78,364
NOTES RECEIVABLE	1,731	2,813
CERTIFICATES OF DEPOSIT and accrued interest thereon of wholly-owned casualty reinsurance subsidiary	33,638	34,843
PROPERTY AND EQUIPMENT, at cost	47,771	47,787
Less – Accumulated depreciation	(13,416)	(11,641)
	34,355	36,146
OTHER ASSETS:		
Investment in and advances to foreign affiliates, at cost, including equity in undistributed earnings of $776 and $380	3,263	2,230
Other	3,552	3,285
	6,815	5,515
	$164,085	$157,681

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 30, 1990 and DECEMBER 31, 1989
(In thousands except share data)

LIABILITIES AND SHAREHOLDERS' INTEREST

	1990	1989
CURRENT LIABILITIES:		
Current portion of long-term debt	$ —	$ 2,825
Accounts payable	7,981	4,412
Accrued payroll and related taxes	24,471	14,886
Accrued expenses	12,681	12,198
Accrued income taxes	—	3,408
	45,133	37,729
RESERVES FOR LOSSES of wholly-owned casualty reinsurance subsidiary	28,594	29,660
LONG-TERM DEBT	46,850	48,500
DEFERRED FEDERAL INCOME TAXES	5,643	8,176
SHAREHOLDERS' INTEREST:		
Common stock $.10 par value; authorized – 8,500,000 shares; issued and outstanding – 3,858,885 shares	386	386
Capital surplus	26,621	26,621
Retained earnings	12,397	7,749
Cumulative translation adjustment	(1,539)	(1,140)
	37,865	33,616
	$164,085	$157,681

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED DECEMBER 30, 1990, DECEMBER 31, 1989 AND JANUARY 1, 1989
(In thousands)

	1990	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,963	$ 5,874	$ 5,195
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation expense	5,219	4,516	3,107
Amortization expense	2,425	2,788	2,802
Provision for bad debts	1,379	1,010	830
Equity income, net of dividends	(376)	(262)	(248)
Other	(399)	(471)	(428)
Changes in assets –			
(Increase) decrease in:			
Accounts receivable	(10,619)	(7,478)	5,530
Inventories	(2,328)	(3,538)	(2,731)
Other current assets	309	(2,239)	4,596
Certificates of deposit	1,205	(545)	(4,157)
Other assets	(1,201)	(933)	(371)
Changes in liabilities –			
Increase (decrease) in:			
Accounts payable and accrued expenses	3,634	(413)	(8,211)
Accrued payroll and related taxes	9,585	4,069	806
Accrued income taxes	(3,408)	(361)	(673)
Reserves for losses of casualty reinsurance subsidiary	(1,066)	1,535	2,158
Deferred income taxes	(2,533)	(4,976)	(2,012)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	8,789	(1,424)	6,193

(continued)

THE WACKENHUT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (concluded)

	1990	1989	1988
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments (increases) on notes receivable	$ 1,082	$ 1,117	$ (163)
Capital expenditures	(3,011)	(4,144)	(3,242)
Purchase of interest in partnership, net of cash acquired	—	—	(3,013)
NET CASH USED IN INVESTING ACTIVITIES	(1,929)	(3,027)	(6,418)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	50,511	36,676	51,560
Payments on debt	(54,986)	(32,409)	(33,352)
Dividends paid	(2,315)	(2,315)	(13,892)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(6,790)	1,952	4,316
NET INCREASE (DECREASE) IN CASH	70	(2,499)	4,091
CASH, at beginning of year	4,213	6,712	2,621
CASH, at end of year	$ 4,283	$ 4,213	$ 6,712
SUPPLEMENTAL DISCLOSURES:			
Cash paid during the year for:			
Interest	$ 4,680	$ 5,131	$ 1,403
Income taxes	$ 8,750	$ 7,210	$ 3,300

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE WACKENHUT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INTEREST

FOR THE FISCAL YEARS ENDED DECEMBER 30, 1990, DECEMBER 31, 1989 AND JANUARY 1, 1989
(In thousands except share data)

	Common Stock				
	Number of Shares	Amount	Capital Surplus	Retained Earnings	Cumulative Translation Adjustment
BALANCE JANUARY 3, 1988	3,858,885	$ 386	$ 26,621	$ 12,887	$ (241)
Net income	—	—	—	5,195	—
Cash dividends, $3.60 per share	—	—	—	(13,892)	—
Translation adjustment	—	—	—	—	(428)
BALANCE JANUARY 1, 1989	3,858,885	386	26,621	4,190	(669)
Net income	—	—	—	5,874	—
Cash dividends, $.60 per share	—	—	—	(2,315)	—
Translation adjustment	—	—	—	—	(471)
BALANCE DECEMBER 31, 1989	3,858,885	386	26,621	7,749	(1,140)
Net income	—	—	—	6,963	—
Cash dividends, $.60 per share	—	—	—	(2,315)	—
Translation adjustment	—	—	—	—	(399)
BALANCE DECEMBER 30, 1990	3,858,885	$ 386	$ 26,621	$ 12,397	$ (1,539)

THE WACKENHUT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED DECEMBER 30, 1990, DECEMBER 31, 1989 AND JANUARY 1, 1989

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Fiscal Year

The Corporation's fiscal year ends on the Sunday closest to the calendar year end. Fiscal years 1990, 1989 and 1988 each included 52 weeks.

(B) Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Corporation and all of its domestic and foreign subsidiaries, as well as a foreign casualty reinsurance subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with current year presentation.

A summary of financial data for foreign operations (exclusive of the casualty reinsurance subsidiary) for the last three fiscal years is shown below (in thousands). The profit contribution is before allocation of general and administrative expenses of the Home Office of The Wackenhut Corporation and income taxes.

Year Ended	Revenue	Profit	Assets
December 30, 1990	$38,915	$1,331	$12,146
December 31, 1989	36,612	1,619	8,470
January 1, 1989	38,779	3,214	9,819

The Corporation carries its investment in foreign affiliates (20% to 50% owned) on the equity method. Federal income taxes which would be payable upon transfer of affiliates' earnings to the Corporation are provided currently.

(C) Wholly-Owned Casualty Reinsurance Subsidiary

The Corporation has a wholly-owned casualty reinsurance subsidiary in Bermuda. A substantial portion of the subsidiary's business is reinsurance of a portion of the Corporation's workers' compensation and general liability insurance. Premiums are recorded on the accrual basis and are taken into income pro rata over the lives of the policies.

Reported losses are recorded by the Corporation as notified by the insurance company. In addition, a provision is made to cover losses incurred but not reported. The reserves for reported losses and losses incurred but not reported are based on data obtained from the insurance company and on actuarial studies. In the opinion of management, such reserves are adequate. Future adjustments of the amounts recorded as of December 30, 1990, resulting from the continuous review process as well as differences between estimates and ultimate payments, will be reflected in the Corporation's consolidated statements of income as such adjustments become determinable.

A summary of operations for the last three fiscal years is as follows (in thousands):

	1990	1989	1988
Premiums recognized	$15,419	$14,372	$13,587
Loss expense	(14,476)	(13,490)	(14,551)
Interest income	2,835	3,253	2,564
	$ 3,778	$ 4,135	$ 1,600

Premiums paid by the Corporation to the reinsurance subsidiary of $13,720,000, $11,999,000 and $8,544,000 for the fiscal years ended 1990, 1989 and 1988, respectively, have been eliminated in consolidation.

The Company has placed in trust, in favor of certain insurance companies, $3,545,000 in time deposits and has issued irrevocable standby letters of credit for $28,067,000 secured by time deposits of the same amount. These letters of credit expire through December 31, 1991.

(D) Income Taxes

The provision (credit) for income taxes consists of the following (in thousands):

	1990	1989	1988
Federal income taxes:			
Current	$7,682	$7,252	$5,233
Deferred	(4,606)	(4,969)	(3,507)
	3,076	2,283	1,726
Foreign income taxes	141	213	340
	$3,217	$2,496	$2,066

Deferred income taxes result from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The tax effects of the principal timing differences are as follows (in thousands):

	1990	1989	1988
Amortization of cash to accrual method difference	($3,143)	($3,143)	($3,143)
Income of casualty reinsurance subsidiary	1,285	1,406	544
Reserves for losses of casualty reinsurance subsidiary	(1,965)	(2,040)	(680)
Reserves for claims of employee health trust fund	(442)	(884)	(68)
Accelerated depreciation	(484)	(275)	(41)
Allowance for doubtful accounts	31	(222)	(241)
Other, net	112	189	122
	($4,606)	($4,969)	($3,507)

Through fiscal year 1986, the Corporation filed its tax returns using the cash method of accounting. As a result of the provisions of the Tax Reform Act of 1986, in fiscal 1987, the Corporation began filing its Federal income tax returns using the accrual method of accounting.

The Federal income tax liability at December 28, 1986, which resulted principally from timing differences between the cash and accrual methods of accounting, has been paid over a four-year period ending in 1990.

A reconciliation of the difference between the expected provision for income taxes using the

THE WACKENHUT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

statutory federal tax rate (34%) and the Corporation's actual provision is as follows (in thousands):

	1990	1989	1988
Provision using statutory federal tax rate	$3,461	$2,846	$2,469
Targeted jobs tax credit	(396)	(447)	(462)
Other, net	152	97	59
Actual provision	$3,217	$2,496	$2,066

In December 1987, the Financial Accounting Standards Board issued Statement No. 96 "Accounting for Income Taxes." The Corporation is required to adopt the new accounting and disclosure rules no later than fiscal year 1992, although earlier implementation is permitted. Adoption of Statement No. 96 will result in a catch-up adjustment that may be reported in income in the year the rules are implemented or in an earlier year if the Corporation elects to apply Statement No. 96 retroactively. The Corporation has not decided when it will adopt the new standard or if it will restate prior periods. The Corporation is currently analyzing the provisions of Statement No. 96 and, while the effect has not been quantified, the Corporation anticipates that the application of the new statement may improve the Corporation's reported financial position. This anticipated favorable result is due primarily to the fact that, under current accounting rules, deferred income taxes are recorded at the income tax rate in effect when the deferred income taxes arose (34% - 46%) whereas the new accounting will require that deferred income taxes be recorded at the rate that will be in effect when the deferred income taxes are expected to be paid (34% under the current tax law).

(E) Property and Equipment and Depreciation Methods

The Corporation uses principally the straight-line method for depreciating property and equipment. The elements of property and equipment and the estimated lives used in computing depreciation are as follows (in thousands):

	Years	1990	1989
Land	—	$ 3,875	$ 3,875
Buildings and improvements	20 to 33½	22,698	22,580
Furniture, fixtures and equipment	5 to 20	15,366	16,804
Communication equipment, etc.	5 to 20	3,521	2,731
Automobiles and trucks	3	2,311	1,797
		$47,771	$47,787

(F) Earnings Per Share

The average shares used in computing earnings per share for all periods presented was 3,858,885.

(G) Inventories

Alarm systems and electronics inventories are carried at the lower of cost or market, on a first-in first-out basis. The cost of manufactured inventory includes material, labor and manufacturing overhead. Uniform inventories are carried at amortized cost.

(H) Revenues

Revenue is recognized as services are provided; accordingly, all revenue earned but unbilled has been properly accrued at fiscal year end.

During fiscal years 1990, 1989 and 1988, the largest client of the Corporation was the U.S. Department of Energy, which accounted for approximately 21%, 20% and 22% respectively, of the Corporation's consolidated revenue, primarily from five contracts of 10%, 5%, 3%, 2% and 1% in 1990, and four contracts of 10%, 6%, 3% and 1% in 1989 and 12%, 6%, 3% and 1% in 1988.

(I) Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Corporation considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

(2) ACQUISITION OF ASSETS

On September 15, 1988, a subsidiary of the Corporation, Wackenhut Properties, Inc., acquired a one-half interest in the partnership which owns the building containing the Corporation's Headquarters for $3,500,000. The other one-half interest in the partnership is owned by the Corporation. The acquisition was accounted for under the purchase method of accounting and accordingly, since September 15, 1988, the operations of the partnership have been consolidated with the Corporation's operations.

The following unaudited pro forma results of operations, for the fifty-two weeks ended January 1, 1989, assumes that the Corporation acquired the partnership interest at the beginning of 1988 (in thousands except share data):

Revenue	$401,353
Net income	$ 4,657
Earnings per share	$ 1.21

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the Corporation acquired the partnership interest at the beginning of the year, or of results which may occur in the future.

(3) LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	1990	1989
Senior notes payable - 10.2%	$25,000	$ —
Reducing loan - 9.9%	—	6,750
Revolving loan - 9.0% in 1990 and 10.0% in 1989	3,600	25,000
First mortgage note on headquarters building - 9.2% in 1990 and 10.5% in 1989	18,250	18,250
Note payable - 10.5% in 1989	—	1,325
	46,850	51,325
Less - Current portion of long-term debt	—	2,825
	$46,850	$48,500

On October 23, 1990, the Corporation entered into a Note Agreement (the "Agreement") with two insurance companies that provides for the issuance and sale of $25,000,000 of senior notes payable. The Notes bear interest at 10.2% per annum, payable quarterly, commencing on December 31, 1990.

Four annual principal payments of $5,000,000 are required to be made beginning September 30, 1996 with the remaining outstanding principal balance due on September 30, 2000. The Company has the right to prepay the outstanding principal balance for a fee which decreases over the remaining term of the Agreement.

The Agreement requires the Corporation to maintain a minimum of $27,000,000 in Consolidated Tangible Net Worth increasing by 25% of Consolidated Net Income on a cumulative basis from September 1, 1990. In addition, certain payments and distributions, as defined, including dividends, are limited in the aggregate to the sum of $5,000,000 plus 50% of Consolidated Net Income computed on a cumulative basis from December 31, 1989.

On December 18, 1990, the Corporation entered into a four year credit agreement with a bank that provides for a $25,000,000 revolving credit facility to finance future working capital needs. The credit agreement has several rate options which provide for borrowings at the prime rate or lower. The credit agreement requires the Corporation to comply with essentially the same covenants as in the Agreement.

The $18,250,000 first mortgage note on the Headquarters building has been extended to mature on May 30, 1995. Quarterly principal payments of $182,500 are required commencing March 30, 1992 with the remaining principal amount becoming due and payable at maturity. In addition, the extended agreement has several rate options which provide for borrowings at the prime rate or lower.

Aggregate annual maturities of long-term debt are as follows (in thousands):

Year	
1991	$ —
1992	730
1993	730
1994	4,330
1995	16,060
Thereafter	25,000
	$46,850

(4) COMMITMENTS AND CONTINGENCIES

The nature of the Corporation's business results in claims or litigation alleging that the Corporation is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the consolidated financial statements of the Corporation.

The Corporation leases office space, data processing equipment and automobiles under noncancelable operating leases expiring between 1991 and 1999. Rental expense for the fiscal years ended December 30, 1990, December 31, 1989 and January 1, 1989, totaled approximately $3,806,000, $3,268,000 and $3,773,000 respectively, including approximately $1,512,000 in 1988 in connection with the Headquarters building. The minimum commitments under these leases are as follows (in thousands):

Year	Annual Rentals
1991	$ 2,997
1992	1,800
1993	1,286
1994	468
1995	214
Thereafter	521
	$ 7,286

(5) SELECTED QUARTERLY FINANCIAL DATA (Unaudited):

The following table reflects selected quarterly financial data for the Corporation and its subsidiaries for the fiscal years ended December 30, 1990 and December 31, 1989 (in thousands except share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1990				
Revenues	$ 125,079	$ 128,173	$ 134,060	$ 133,879
Net income	$ 1,273	$ 1,743	$ 1,868	$ 2,079
Earnings per share	$ .33	$ .45	$ .49	$ .53
1989				
Revenues	$ 106,355	$ 115,494	$ 120,030	$ 120,302
Net income	$ 873	$ 1,550	$ 1,694	$ 1,757
Earnings per share	$ 23	$ .40	$ .44	$ .45

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of
The Wackenhut Corporation:

We have audited the accompanying consolidated balance sheets of The Wackenhut Corporation (a Florida corporation) and subsidiaries as of December 30, 1990 and December 31, 1989, and the related consolidated statements of income, shareholders' interest and cash flows for each of the three fiscal years in the period ended December 30, 1990. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wackenhut Corporation and subsidiaries as of December 30, 1990 and December 31, 1989, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 30, 1990, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Miami, Florida,
February 8, 1991.

Notice of Annual Meeting
The Annual Meeting of Shareholders of The Wackenhut Corporation will be held on Friday, April 26, 1991 at 9:00 a.m. in the Key Largo Building of the Ocean Reef Club, Key Largo, Florida 33037

Form 10-K
Copies of the Corporation's Form 10-K Annual Report are available upon request from the Corporate Relations Department, 1500 San Remo Avenue, Coral Gables, Florida 33146

Transfer Agent
NCNB Texas, P. O. Box 831402, Dallas, Texas 75283-1402

The Wackenhut Corporation is listed on the New York Stock Exchange, Inc. The ticker symbol is WAK.

The Wackenhut Corporation
1500 San Remo Avenue Coral Gables, Florida 33146-3009
Telephone: (305) 666-5656/(800) 666-5585
Telex: 153805 WACKENHUT • Fax: (305) 662-7336/(305) 662-7328

THE WACKENHUT CORPORATION

CORPORATE RESOLUTION

I CERTIFY that I am the Assistant Secretary of THE WACKENHUT CORPORATION, a Florida corporation having its principal place of business in Coral Gables, Florida; that the following is a correct copy of a resolution duly adopted by the Board of Directors thereof on the 28th day of October, 1991; and that such resolution has been entered in the minute book of said corporation.

COPY OF RESOLUTION

WHEREAS: The Wackenhut Corporation ("Corporation"), an international, full-service security firm, has been employed by the Alyeska Pipeline Service Company ("Alyeska") for over seventeen years to guard and protect the approximately 800 mile long Alaska pipeline. Alyeska, in response to the theft of confidential proprietary company information contracted in March 1990 with the Corporation to conduct an investigation to identify the person(s) responsible for the leaking of these stolen proprietary documents to persons outside of Alyeska. The Corporation assigned the matter to its Special Investigations Division, a new entity established in October 1989 to enhance the Corporation's position as a full-service security firm; and

WHEREAS, serious allegations of wrongdoing, including very negative reports in the press, have been lodged against the Corporation for its conduct of the Alyeska investigation. Specifically, the Interior and Insular Affairs Committee of the United States House of Representatives have scheduled hearings on November 4 and 5, 1991 to investigate various allegations that have been levied against the Corporation and several of its employees and subcontractors concerning the conduct of the Alyeska investigation. The Corporation holds Congress, its committees, and its members in the highest possible regard and views the congressional investigation with the utmost seriousness. The Corporation is particularly distressed about those allegations that the Corporation's employees or agents may have considered or implemented a plan to investigate one or more members of Congress. Upon learning from the Congressional Committee about August 7, 1991 of the allegations of wrongdoing, the management of the Corporation initiated an extensive internal investigation of the allegations. Management's internal investigation has been massive in scope, requiring substantial effort by employees of the Corporation and outside counsel.

The Board of Directors considers those allegations of wrongdoing to be matters of urgent concern, as those allegations are directed in a substantial way to an effective discharge of the Corporation's responsibilities to its shareholders, its clients, and its employees;

BE IT RESOLVED THAT, while, the Board of Directors acknowledges the extensive efforts undertaken and now underway by management to investigate the allegations made giving rise to the aforesaid congressional investigation and hearing, the Board of Directors concludes that independently of management, it also will investigate and evaluate those concerns relating to the Alyeska investigation as expressed by the Congressional Committee, the press, the shareholders, and management's own internal investigation;

BE IT FURTHER RESOLVED THAT, in order to conduct this independent evaluation, a quorum of the independent members of the Board of Directors hereby constitute and appoint a committee of three outside and independent Directors, consisting of Frederick M. Glass, as chairman, Willis M. Hawkins, and Raymond A. Quadt, to investigate, review and analyze the facts and circumstances surrounding those allegations lodged against the Corporation relating to the Alyeska investigation;

BE IT FURTHER RESOLVED THAT, this committee working with corporate management is to present a recommendation, upon full review of all the allegations of wrongdoing and consideration of necessary remedial actions, to the full Board of Directors for corrective policy action and direction, if any, or in the alternative, if committee deems it appropriate, a recommendation that the Corporation should not remain active hereafter in covert operations;

BE IT FURTHER RESOLVED THAT, the Board of Directors reserves solely for itself the final determination of whether the Corporation will continue to operate in the business of conducting undercover investigations, including without limiting the generality of the foregoing whether the existing Special Investigations Division should be abolished.

BE IT FURTHER RESOLVED THAT, this committee, may review information which has already been gathered by an extensive management-lead investigation, will be free to gather all information as it sees fit and, to retain counsel of its choice. To this end, the officers, agents and employees of the Corporation are hereby authorized and directed to assist the committee and to provide it with all information and documents that it shall request with respect to its evaluation.

BE IT FURTHER RESOLVED THAT, corporate management is hereby directed to review the Corporation's existing management policies and procedures with regard to the Alyeska investigation so as to revisit and review the Corporation's current ethical standards and to again disseminate those Policies and Procedures to all employees and agents of the Corporation if needed. The Committee should also convey to management the evaluation and recommendation on the performance of current and future managers involvement in the Special Investigations Division.

IN WITNESS WHEREOF, I have executed this certificate as Assistant Secretary and have caused the corporate seal of said corporation to be affixed as of this 28th day of October, 1991.

_____

Assistant Secretary

(CORPORATE SEAL)

WACKENHUT

MEMORANDUM

TO: DATE: 1/2/91

FROM: James P. Rowan DIV/AREA: Legal

SUBJECT: Board of Directors Resolution No. 9 - Compliance with Legal, Ethical and Accounting Standards

Enclosed please find copies of the subject Resolution and Policy together with a Certificate which you are to complete and return to Mr. James P. Rowan, Vice President, General Counsel and Assistant Secretary by March 1, 1991.

The Resolution and Policy adopted by the Board of Directors at its Quarterly Meeting on January 25, 1981, as amended July 30, 1984, and as further amended January 27, 1990, is intended to specify standards and reinforce management compliance with required legal, ethical and accounting standards in the transaction of Corporate business. Your signature on the Certificate will affirm your understanding of the Statement of Policy and require you to report any transaction or events which might indicate non-observance thereof.

Should you have any questions related to the Policy, please contact me for any assistance I can lend.

Enclosure

POLICY RELATING TO COMPLIANCE WITH LEGAL ETHICAL AND ACCOUNTING STANDARDS

It is the policy of the Corporation and all of its subsidiaries ("Corporation") to conduct the affairs of the Corporation in keeping with the highest legal and ethical standards. This policy shall apply to the parent company and all domestic and foreign operations of the Corporation in which the Corporation owns more than fifty percent (50%) of the outstanding voting stock. If a situation should arise, however, where an affiliate (an operation in which the Corporation has 50% or less ownership) is participating in an activity in contravention of the spirit of this policy, the Corporation shall make every effort to cause such affiliate to cease and desist from such activity. It shall be the responsibility of the President of the Corporation to make this policy known to all directors, officers, senior executives and key employees of the Corporation and its subsidiaries, and to administer compliance with all aspects of this policy. It shall be the duty and responsibility of all directors and employees to promptly report any known or suspected (based upon reasonable grounds to believe) deviations from this policy statement to the General Counsel's office. The General Counsel shall, in turn, promptly report any such instances to the Audit Committee of the Board of Directors. The Audit Committee shall report periodically, and at least once annually, to the Board of Directors of the Corporation concerning compliance with this policy.

It is the policy of the Corporation to comply with all domestic and foreign laws, rules and regulations applicable to its business. Compliance with generally accepted accounting rules and effective controls for their enforcement is required at all times. The use of

corporate funds or assets, regardless of the amount involved, for any unlawful or improper purpose is strictly prohibited. Directors, officers and key employees must consult with the General Counsel of the Corporation in the event of any question as to compliance with this policy.

I. PROPER PRACTICES

It is the policy of the Corporation that there shall be complete candor among members of management and their dealings with auditors, legal counsel, the Board of Directors and committees thereof.

II. PAYMENTS TO GOVERNMENT OFFICIALS

Payments, the giving of anything of more than nominal value directly or indirectly, in any amount to any government officials or other government personnel, or to officials or other personnel of customers, suppliers or other non-governmental organizations, domestic or foreign, regardless of motivation, are all viewed by the Corporation as improper, even where customary or legally permissible, unless fully disclosed to and previously approved by the Board of Directors, and where applicable and required, after having been fully disclosed to and approved by appropriate U.S. Government authorities.

III. CONFLICTS OF INTEREST

It is the policy of the Corporation that all directors, officers and employees shall at all times avoid any conflict or appearance of conflict between their duty to the Corporation and their interest in any person, business or enterprise, without limiting the generality of this policy:

It is the policy of the Corporation:

(a) To deal with customers, suppliers, contractors, and all others doing business with the Corporation solely on the basis of what is in

the best interest of the Corporation. No employee shall hold a financial interest in any supplier, customer, contractor or competitor, or receive compensation, gifts other than of nominal value or the benefit of entertainment other than business meals and local athletic or social events from any of them, directly or indirectly, unless the employee's interest has been fully disclosed to and approved by the Board of Directors.

(b) That no director, officer or employee shall use information obtained in connection with his relationship with the Corporation for his own personal benefit, nor shall he disclose to any third party any unpublished information so obtained except in the furtherance of the business of the Corporation.

(c) That no director, officer or employee shall enter into or have financial interest in a contract or transaction with the Corporation, directly or indirectly, unless the material facts as to such relationship or interest have been fully disclosed to and the contract or transaction has been approved by the Board of Directors.

(d) Not to hire, or enter into any transaction or consulting arrangement with any corporate director, officer or employee or relative of such persons or any entity in which any such person has a material interest, or any person who performs services for any company in which an officer or director of the Corporation has a material interest unless the material facts pertaining to such relationship have been fully disclosed to and the terms of hiring, transaction or arrangement have been approved by the Board of Directors.

IV. PROCEDURES FOR ENFORCEMENT OF POLICY

(a) The General Counsel of the Corporation shall establish procedures for review of material contracts entered into by the

Corporation in order to enforce compliance with the requirements of this Statement of Policy. Where appropriate, he shall require that a contract or class of contracts contain a provision by which the other party thereto shall agree that neither the contract nor any payment made or to be made thereunder is or shall be in contravention of this Statement of Policy.

(b) The President of the Corporation shall cause copies of this policy to be distributed to every director, officer and key employee of the Corporation. Any amendments from time to time made to this Policy shall similarly be disseminated. The President shall from time to time, and at least annually, call the attention of each director, officer or key employees of the Corporation to the provisions of this Statement of Policy.

(c) Within sixty (60) days after the end of each fiscal year the President shall distribute to each director, officer and key employee of the Corporation a form of certificate by which such individual may affirm his knowledge and understanding of this Statement of Policy and report any transactions or events which might indicate non-observance thereof. The General Counsel shall report to the Board of Directors as to the results obtained from the circularization of such certificates.

ON TOP OF

ANWR

March–April 1990, Issue 18 ◆ ARCO Alaska, Inc.

OIL IMPORTS RISE AT AN ALARMING RATE

A growing dependence on imported oil could push U.S. demand for foreign oil to 11 million barrels a day by 1995, said former Energy Secretary James Schlesinger. The U.S. imported an average of seven million barrels of oil per day in 1989.

In testimony before the U.S. Senate Energy Committee, Schlesinger stated oil prices could increase 30 or 40 percent in this decade. The U.S. oil import bill then would exceed the nation's current annual trade deficit, he said.

In a recent *Wall Street Journal* article, Edward Yardeni, a Prudential-Bache Securities economist, said huge oil imports threaten the nation's prosperity. "The problem isn't oil consumption, which isn't rising much. The problem is that U.S. production is falling at an alarming rate," Yardeni said.

Last year, America's bill for imported crude oil and refined products surged 28 percent to almost $50 billion. Meanwhile, domestic crude oil production fell an average of 553,000 barrels a day, the steepest drop on record.

The Department of Energy forecasts a plunge in domestic crude production from 7.3 million barrels a day this year to 6.4 million in 1995 and to 5.8 million in the year 2000. It also predicts imports of crude and refined products of 7.8 million barrels a day this year, 9.1 million in 1995 and 9.9 million in the year 2000.

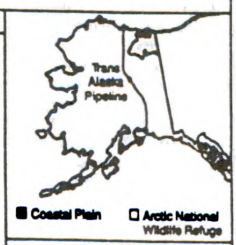
As for prices, the Energy Department's base case (the forecast it deems most likely) sees crude oil, in 1989 dollars, rising to $20.40 a barrel in 1995 and to $27.80 a barrel in the year 2000. Based on these projections, the import bill would surge to $87.91 billion in constant dollars in 1995 and to $100.96 billion in the year 2000.

Ironically, the growing debate over energy policy comes at a time when worldwide oil supplies are plentiful. In contrast to the 1970s, when consumers were warned that oil supplies were being depleted, oil supplies today are ample, and key fuel products such as gasoline are selling in the U.S. at 1965 prices, after accounting for inflation.

Some 75 percent of the oil that can be produced at today's prices is found in countries, mostly around the Persian Gulf, belonging to the Organization of Petroleum Exporting Countries (OPEC). It is the same OPEC that mounted a successful oil boycott in 1973, sending America's economy spiraling into recession.

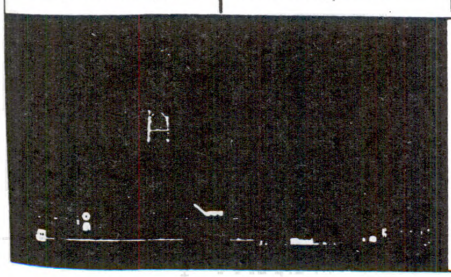
That boycott worked, even though the U.S. at that time produced most of its oil domestically, importing only

Continued on back page











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OIL SPILL COMMISSION SAYS PREVENTION IS KEY TO PROTECTION

A comprehensive prevention policy is the only way to protect the oceans and coastlines from oil spills, says the final report of the Alaska Oil Spill Commission. The commission was created by the Alaska State Legislature last spring to analyze the oil transportation system in Alaska and to recommend how oil spills can be prevented.

The commission's recommendations, if adopted, would have considerable impact on tanker safety. Tanker design changes, including double hulls, improved traffic control systems and an increased emphasis on proper manning and crew training are the key elements.

Alyeska Pipeline Service Company, according to the commission, has demonstrated a commitment to safer operations since the *Exxon Valdez* oil spill by establishing new procedures, including escort vessels, new spill response equipment, speed limits for tankers and policies that tankers stay in designated traffic lanes while pushing through ice. Some of these reforms were more sweeping and costly than required by government.

The *Exxon Valdez* incident refocuses attention on industry's obligation to operate safely and responsibly. Decision-making by private industry is the first and, in many ways, most important pressure point for safety in the oil transportation system. Government regulation and public oversight can help safeguard the system, but industry can — and should — move rapidly and effectively on its own to establish procedures to reduce the risk of oil spills, according to the commission.

The report further stated, "Response to the *Exxon Valdez* disaster illustrated industry's ability to mobilize quickly after a disaster. Exxon, though unprepared for a spill so large, responded far more swiftly than any government agency. The company committed vast human and material resources and reportedly spent more than $1 billion to respond to the spill."

The *Exxon Valdez* disaster has awakened industry, government and public interest on oil spill research. The May 1989 report to the president on the *Exxon Valdez* by Transportation Secretary Samuel Skinner and Environmental Protection Agency Administrator William Reilly bluntly concluded that "oil spill cleanup procedures and technologies are primitive."

That view was echoed by the American Petroleum Institute, an industry group that issued a report calling for new private investment in research and development of spill response methods. Federal agencies are preparing research and development initiatives in spill response techniques, technology, training and deployment systems.

There is also increasing interest in coordination and collaboration with other countries, particularly Canada, to provide faster dissemination of research results, and less unnecessary duplication of effort.

Legislation now pending in Congress provides for the establishment and funding of oil spill research and development programs. One proposal would create a Prince William Sound Oil Spill Recovery Institute to identify and develop the best technology for dealing with spills in arctic and subarctic marine environments. Another would establish a minimum of six regional centers to address research needs.

Government-supported research and development should ensure that public priorities are met, that government agencies expected to direct future oil spill response will be knowledgeable about new technologies and techniques, that regulation is appropriate and effective and that up-to-date response capabilities are maintained, the commission said. Coordination and cooperation in research and development programs are in the interest of all concerned.

Alaska's interests in oil spill research should focus on specific Alaska marine habitats, the characteristics of oil and dispersant methods in arctic and subarctic waters, prevention research, and training programs to ensure that Alaska response authorities will be fully prepared to understand and cope with future spills, according to the report.

EXXON ANNOUNCES CLEANUP PLAN

Exxon Corporation President Lee R. Raymond has announced a 1990 General Plan for continuing cleanup of the *Exxon Valdez* oil spill in Prince William Sound. The March planning document, when approved by the Federal On-Scene Coordinator, will serve as the basis for a final plan for 1990 cleanup.

"Our objective for 1990," Raymond said, "is to complete the appropriate cleanup work in a way that provides a further net benefit to the environment, minimizes negative impacts on the wildlife, doesn't interfere with fishing, and enhances the natural recovery that has already begun."

Raymond, who visited Prince William Sound in early March, said, "I saw many places that are showing dramatic improvement. But I also saw some that are not as clean as we would like and will require additional work. We're here to do it. We're here to get on with the task of finishing the job."

Raymond observed that "the improved shoreline conditions resulting from last summer's cleaning have allowed natural forces to effectively continue the cleaning process over the winter. We have spent more than $2 billion on the cleanup to date."

Otto Harrison, Exxon's Alaska Operations Manager, reviewed the planning document, which is the result of this winter's shoreline observations, scientific studies and planning conducted by his staff of more than 700 Exxon and contract people, and input from government agencies.

While the document doesn't specify numbers of shoreline segments to be cleaned or how many people

Continued on back page

ALYESKA IMPLEMENTS NEW TANKER SAFETY PLANS

Tanker safety has become the focus of public concern since the Prince William Sound oil spill in Alaska last year.

Hearings have been held in 19 Alaskan communities for public discussion of the oil industry's updated tanker spill prevention and response plan for the Sound. The hearings included workshops designed to provide information about the plan.

According to the plan, tanker owners and operators carrying oil through Prince William Sound will contract with Alyeska Pipeline Service Company to provide initial oil spill response. The company operates the Valdez Marine Terminal and the trans-Alaska pipeline.

The plan requires that every tanker leaving the terminal be escorted through Prince William Sound by two tugs that can assist a tanker in danger. In addition, initial oil spill response equipment must be carried on the larger tug, an escort vessel.

The ship escort response vessel system, or SERVS, manages the fleet of vessels equipped with booms, skimmers, and other oil spill equipment. The equipment, and a trained crew of about 100 people, are to be stationed at key locations in Prince William Sound, an area of 700 square miles.

Tanker crews will be screened for alcohol and, if necessary, tested. The captain must be tested one hour prior to departure.

State licensed pilots will guide vessels from the Marine Terminal to beyond Bligh Reef. Tankers may travel no faster than 10 knots through the Sound.

Many of the provisions in the plan went into effect last summer. Regular training drills and exercises are required to prepare crews for emergencies. Additional tugs and fishing boats are on contract to support the SERVS fleet as needed.

The organization operates 24 hours a day, seven days a week. The plan requires manpower and equipment sufficient to rapidly move more than 30,000 feet of boom and store nearly half a million barrels of oil and water.

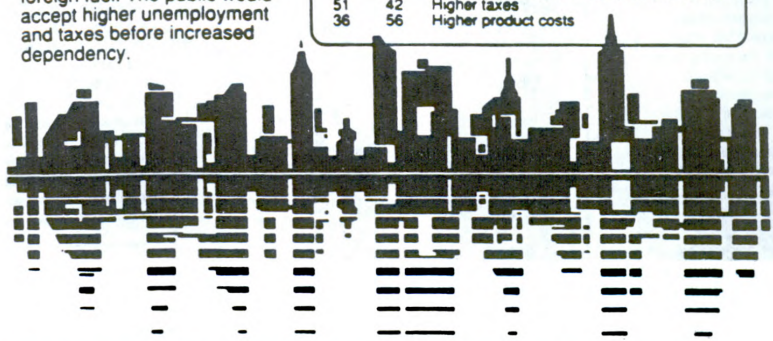
Although much of the plan is already operating, a complete plan is expected to be approved this year.

Where Does the Public Draw the Line on Environmental Regulations?

Even after the Exxon Valdez spill, two in three people would oppose stricter environmental regulations that would make America more dependent on foreign fuel. The public would accept higher unemployment and taxes before increased dependency.

The Public

opposes	supports	If the result is:
67%	24%	More US dependency on foreign oil
61	31	Elimination of some jobs
53	39	Difficulty for American companies to compete
51	42	Higher taxes
36	56	Higher product costs



This survey was conducted by the Opinion Research Corporation. Its findings are based on telephone surveys conducted with a nationwide random probability sampling of 1,021 adults during the period of May 12 through May 14, 1989. The accuracy of any survey results based on a sample of this type and size is ±3 percentage points at the 95% level of confidence.

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Joan McCoy: Editor

IMPORTS. . .

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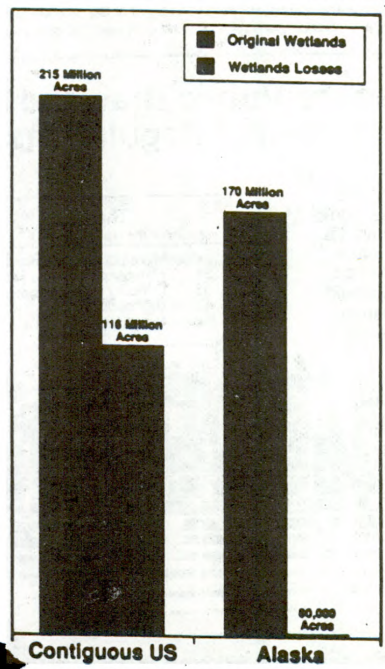
six percent of its needs from OPEC.

The U.S. oil-producing industry now is in its fifth year of decline. The American Petroleum Institute (API) says that the decline could be reversed if the oil industry could explore and develop the Coastal Plain of Alaska's Arctic National Wildlife Refuge (ANWR), currently the most promising untapped onshore area in North America.

The ANWR Coastal Plain is expected to contain at least 3.2 billion barrels of recoverable oil. That would make ANWR the third largest oil field in North America. Prudhoe Bay, this nation's largest oil field, and Kuparuk, the second largest oil field, are both located less than 100 miles west of the ANWR Coastal Plain.



Status of Nation's Wetlands



like many other states, Alaska's wetlands remain act. Approximately 99.95 percent of Alaska's etlands are undisturbed.

Source: Coalition for American Energy Security

EXXON ANNOUNCES. . .

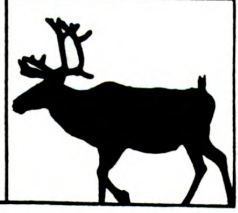
Continued from page 2

and boats will be needed, Harrison indicated the levels would be substantially below 1989 levels since the shoreline conditions, while not yet entirely satisfactory, are vastly improved.

Harrison said Exxon will begin cleanup once a final plan is approved and the weather permits.

Coast Guard Rear Admiral Dave Clancaglini, the spill's Federal On-Scene Coordinator, has announced that Exxon will begin cleanup work May 1.

Clancaglini will decide which cleanup techniques to use on each beach. He expects the cleanup techniques will be based on recommendations reached by consensus between Exxon and the agencies.



F2R400109

F2R400110

How To Get ANYTHING ON ANYBODY



by Lee Lapin

State of the Art Investigative/Surveillance Techniques
From the World's Best Intelligence Organizations.



"Possibly The Most Dangerous Book Ever Published"

–Peter Laufer NBC News, Washington, D.C.

How To Get
ANYTHING ON ANYBODY

LEE LAPIN

Some people work all their lives and never quite seem to get it right...

but I'm beginning to see the light...

[Lou Reed]

This book is for my son;
may your life be better and less interesting than mine.

P

SPECIAL THANKS

As with any book a number of people gave above and beyond the call of duty to make it all come together. My sincere thanks to:

Will Law
Benita Law
John Isher
Mark Shin
John Russell 3
Joop Van Lingen

AND

Anita Turley for constant ("Is it done yet? Shouldn't you be working") prodding
Robert Lewalski for the hundreds of obscene messages on my answering machine

AND

a number of private detectives and intelligence personnel who do not want their names mentioned....

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by Lee Lapin
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POSTSCRIPTS

I realize the beginning of a book is an unusual place for a postscripts section, HOWEVER a number of items have worried their way into my consciousness and I feel it would be helpful for you to read them prior to reaching the items they pertain to....

INFORMATION DECAY— In any published material that makes reference to organic sources one must bear in mind that the information is current WHEN WRITTEN. Over the next few weeks/months/years and so on it becomes gradually less and less effective as address' change people die and/or get arrested or otherwise move on to greener pastures. AUBURN—WOLFE is about to launch a newsletter to update this book and the entire intelligence/surveillance/investigation field.

Watch for it, or write us for more info...

Another trick to improvise a variable speed recorder is to stick a variable resistor (volume control) in series with the remote mic jack on any cassette recorder. Adjustment of the resistance will vary the speed of the recorder.

Another address for FEDCORP is PO Box 19211, Las Vegas, Ne. 89119; although the enclosed address is more current.

The great little ETCO night (infrared) viewing system (reviewed within) is now available in kit form for $179!!!

The more I use the MICRO AND SECURITY ELECTRONICS' products, the happier I am with them; great design, great performance.

ANOTHER SPECIAL SOURCE: CONSOLIDATED INFORMATION, 827 Pacific Av, No. 507, San Francisco, Ca 94133 offers the following services by mail: Complete, Nationwide Credit Reports (write stating you have the person's permission) $25 Complete California DMV reports, license checks or driving records $25 CNA access number updates, complete list as available $20.

NATIONAL FORENSIC CENTER, 6 Ashburn Place, Fair Lawn, New Jersey, 07410. Publishes a very complete directory listing experts in ALL forensic (labs, consultating doctors, civil engineers, protective equipment dealers, etc, etc etc) fields. $69.50. A very good reference source.

VIKING INTERNATIONAL now offers a very nice sub-miniature camera (along the lines of Minox) encased in a most attractive lighter.. Great for those candid shots where the subject might be a tr(fid lens shy...

GOOD LUCK AND GOOD HUNTING.

lee

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State Of The Art Electronic Surveillance

ELECTRONIC SURVEILLANCE

This section deals with the use of electronic aids to overhear someone else's conversation. There are a couple of things I have to make clear right at the start.

The first and most important is that under most circumstances IT IS ILLEGAL TO ENGAGE IN ELECTRONIC SURVEILLANCE. Of course there is legitimate application for aided eavesdropping, such as with a court issued warrant. But most surveillance is conducted without some.

In fact, it is against federal law to even possess devices designed for electronic surveillance. It should be noted that most devices sold today that COULD be used for ES also have several other uses. IT IS UP TO THE USER TO FIND OUT ANY LAWS THAT MAY APPLY. In no way am I suggesting the use of these devices or techniques, except under the letter of the law.

In many states it is illegal to record someone else's conversation EVEN IF YOU ARE INVOLVED, without a recorded "mutual agreement". In addition, special rulings may apply such as a "beep" tone every 15 seconds on phone recordings to REMIND the other party that he has given his consent to the idea.

AGAIN, ANYONE ENGAGING IN ANY SURVEILLANCE MUST FIND OUT THE LAWS THAT APPLY IN HIS SITUATION.

With that out of the way I would like to point out there are a large number of books on the market dealing with surveillance or bugging. It is NOT my aim to duplicate these already available sources. If you are not familiar with the actual methods employed in ES, I would suggest purchasing THE BIG BROTHER GAME, by Scott French. It is the most complete and accurate book on the subject.

Instead of plowing the same ground let's delve a bit more into the esoteric:

A CONSUMERS GUIDE TO ES HARDWARE: Actual side by side tests, price comparisons and sources for the latest gear.

IMPROVING AVAILABLE DEVICES: You don't have to be an electronics expert to "modify" or at least improve the performance of many surveillance units. We'll cover everything from the placement and tuning, to the adding of outboard devices to upgrade all types of surveillance gear.

IMPROVISED SURVEILLANCE EQUIPMENT: Making something from nothing; how to transform "common" items into electronic "ears".....

HARDWIRE TECHNIQUES: Why use a $400 infinity transmitter when a 5¢ piece of wire will do? A look at the simple solutions....

SUPPLY AND DEMAND-BEATING THE DEALERS AT THEIR OWN GAME: Many surveillance items are purchased from industrial, hobby, or other non-surveillance sources; then marked up anywhere from 50-300%. We'll go right to the source..

GIVING THE WALLS EARS: An indepth study of the science of listening through walls, including tests on most of the available units. How good, how thick and how much?

TAPE AND TAPE RECORDERS: Should you spend $2,000 for a Nagra, $700 for a "special surveillance recorder", $200 for a Pearlcorder, or $97 for a modified Panasonic? Then, how to use modern processing equipment to get the most from any tape, from any source...

MAKING JAMES BOND ENVIOUS: Step by source instructions to put together super-spy systems for a few hundred dollars that will equal, or beat, the $5,000 Police Special Systems on the market...

We will be dealing with several types of surveillance; room and/or telephone, thru-wall, and passive (requiring no transmitter or access to the premises under surveillance).

In either room or phone eavesdropping we also have a subset; hardwire or transmitter equipped. Hardwire simply means a microphone is planted in the target area, or a telephone is tapped at one of any number of points, and wire is run to the amplifier or tape recorder of the person doing the surveillance.

This type of eavesdropping has several distinct advantages; no batteries to wear out, no exotic electronic parts to break down at the target end, no chance of being overheard by third parties, and it is difficult to locate because it does not radiate radio waves.

On the other hand there are a couple of distinct disadvantages also; the wire must be hidden and if the device is located, the wires can be easily followed right to their source....

Transmitters normally operate anywhere from one day to one week, with the average being about 3 days, before their batteries wear out. The exact time is dependent on several factors including the units' output power, type of battery used, as well as the transmitter's efficiency factor. Some bugs are designed to work off regular AC current so they never suffer from battery failure but they must be planted so they are "plugged in" at all times.

You should always bear in mind that once a transmitter is in place, it is probably lost and gone forever. If it was risky planting it in the first place it is normally unwise to run the same risk to recover it. This would argue towards using the cheapest unit THAT WILL DO THE JOB.

Okay, I'll get to the brass tacks, but first, one more word from our sponsor: THIS DATA IS FOR INFORMATIONAL PURPOSES ONLY! THE LEGAL ASPECTS ARE UP TO THE USER!

TECHNICAL ASPECTS INVOLVED IN CHOOSING A TRANSMITTER

There are a number of strictly technical features that come into play when considering an eavesdropping transmitter. The main two variables are power and frequency.

At first consideration it would seem power is a case of the more the better...This is not always true. A transmitter which radiates 1 watt draws several times the current of a unit that radiates only 1/2 watt. Assuming the unit is operated from a battery or batteries, this drain is a major factor. As most bugs are monitored from a distance of several hundred feet (either by an operator, automatic recording equipment, or on occasion, a higher powered repeater) it is overkill to use an operating power capable of traveling a 1/2 mile or more.

Besides the current drain factor, more range increases the chances of discovery by accident, or by persons looking for a bug. A final consideration is that the higher powered transmitter is going to cost a fair bit more than its safer, low powered counterpart.

If you only have a high power, overkill unit on hand, it is possible to trim the antenna to reduce the effective range, although the battery drain will remain excessive.

Frequency is a major consideration for several reasons. All transmitters produce harmonics, i.e. additional outputs on frequencies that are x number of times the original. In broadcast quality transmitters, these unwanted harmonics are filtered out (by law) so as not to interfere with other stations on the harmonic frequencies. All harmonics are lower in power than the main frequency, but may be high enough to travel a good distance.

This little feature is quite important to any surveillance operator. Even if the fundamental frequency is outside the range of "typical" receivers, the first or second harmonic may fall squarely in the range of common receivers, making detection, even by mistake, very possible. Any transmitter rich in harmonics is also much more prone to exposure by even cheap field strength, "bug finders" because of the additional radiation available for detection.

There are a number of stores of people planting bugs only to have neighbors or other unknowing third parties stumble across the broadcast and "stay tuned" for fun or profit...

Some frequencies inherently go further than others, some penetrate walls better, and some have a wider range of receiving units available. Another factor that can be important is that the higher the frequency, the shorter the antenna has to be for effective radiation and receiving.

Every bug, except the extremely exotic CIA specials, operates within one of the

following frequency ranges:

25-50 MHz
88-120 MHz
150-174 MHz
400-512 MHz

Each range has its own advantages and disadvantages.

25-50 MHz

GOOD

This particular range has very good penetration power in urban environments.

BAD

Both the receiver and the transmitter require long antennas. Transmitters tend to have many harmonics which fall into heavily used bands. The signal can bounce long distances at night resulting in unwanted listeners. Many people use the band, and this may result in breached security.

88-120 MHz

GOOD

Many sensitive, low cost receivers are available. Transmitters tend to be the cheapest of any of the various ranges.

BAD

Very poor security as these units fall into the commercial FM band and can be picked up by anyone with a normal FM receiver. Unless tuned perfectly, the signal may be overriden by a commercial radio station on a nearby frequency.

150-174 MHz

GOOD

Equipment is usually designed more professionally. Less chance of accidental discovery. Antennas are shorter, and most of the available receivers are quite sensitive.

BAD

Both transmitters and receivers are going to be more expensive than the 88-120 types. These frequencies are used for police and federal communication in many parts of the country. And if there is anyone you don't want to discover the bug.....

400-512 MHz

GOOD

Very high security, lightly used wavelengths. Needs very short antennas and has almost no interference from other transmitters or natural sources.

BAD

Equipment needs high level of design and tends to be expensive. It is difficult to find units that operate in this frequency range as it is easier and less costly to manufacture them in other ranges.

TRANSMITTER TEST RESULTS

The following tests were conducted on a side by-side basis They WERE NOT done under ideal circumstances. I selected a very inexpensive SONY portable all-band receiver in order to duplicate the WORST conditions one might be faced with.

DO NOT judge these figures as absolute (as the antenna tests show) as they can be improved greatly with better reception equipment. DO judge the DIFFERENCES from model to model as being representative.

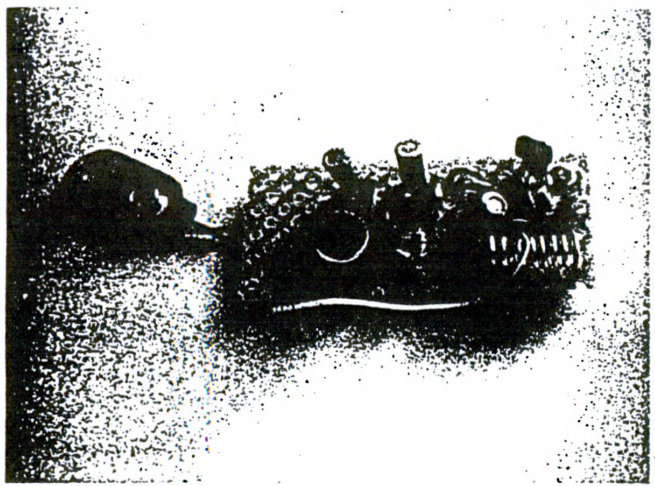


ALTERNATIVE TECHNOLOGIES wireless transmitter. Operates on one 9 volt battery. Current consumption 14 mils. Pick-up range very good. Range 400 feet.

Comments: Two stage oscillator section for high stability. Nice range, fairly high battery drain, Point to point wiring, but very professionally done ; Some harmonics

Price: $35 00!!!

SCIENTIFIC SYSTEMS

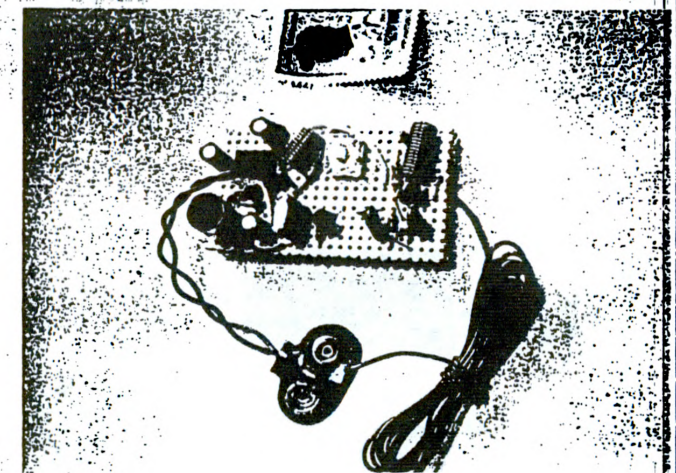


The SCIENTIFIC SYSTEMS' FBT 9 Long Range Wireless mic is another example of a well designed FM wireless microphone. Pick-up very good. Range 650 feet. Powered by one nine volt battery. Some harmonics, frequency stability good

Comments: This is a great transmitter to use any "improving" techniques you care to try out as it is tunable and the coil loading is easily variable. It is quite sensitive and will accept double or triple the supply voltage as well as different antennas for many times the range I achieved

Price Kit $39.50.

INEXPENSIVE CRYSTAL CONTROLLED TRANSMITTER



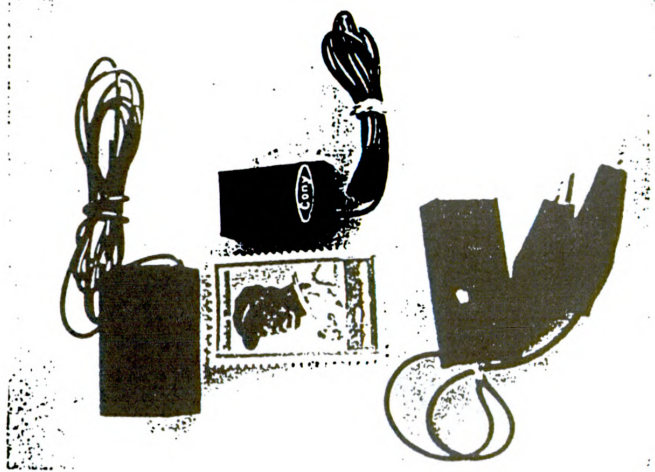
ALTERNATIVE TECHNOLOGIES crystal controlled wireless transmitter system. Requires one external 9 volt battery. Current consumption 16 mils. Pick-up range very good. Range 650 feet.

Comments: AM modulation, difficult to detect (and harder to receive). AT will include a 49 Mhz walkie-talkie type receiver for $50.00, BUT the unit works better with a more sensitive receiver. Crystal keeps it RIGHT ON frequency, no drift, few harmonics. Fairly high battery drain. Point to point wiring.

A very professional, very good unit for very little money. A nice alternative to the FM er's.

Price. $50.00!!!!

A PAIR OF WINNERS



Meet the Japanese challenge in the, ah, flesh...The two units in the photo (from left to right) are the CONY long lasting transmitter and the CONY "Smallest in the World." (The third is the CONY parallel phone bug).

This report may seem a bit hard to believe but it is true... 1000!

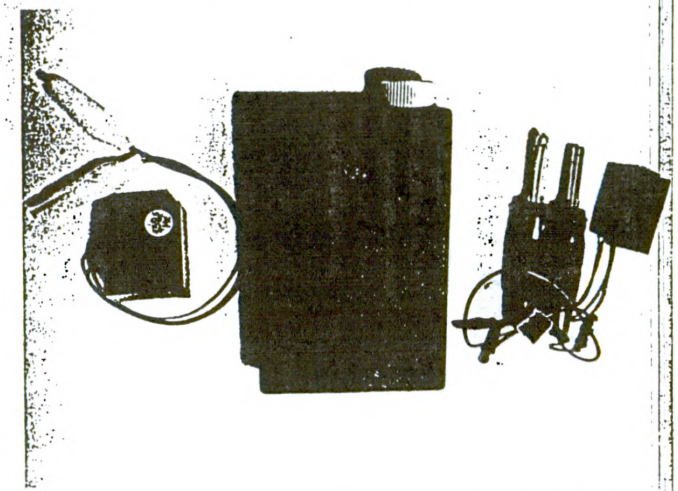
"Smallest in the World" Pick up execellent. Range 700 feet. This is not a misprint. Unit powered by one 1.4 volt internal mercury button cell. Fairly rich in harmonics.

Comments: This unit is tiny enough to hold on your fingernail (remember that is a postage stamp next to it in the picture) It is powered by an internal battery yet the range was the best of any battery unit that I tested!

Long lasting unit. Same pick up, range about 350 feet, yet 4 or more times the battery life (it uses 2 mercury button cells) Both units are stable enough to be handled by my receiver's AFC circuit. And here's the best part:

Price: $35.00 and $45.00 (aprx.) apiece!!!!!

SUPER SOPHISTICATION
from MICRO AND SECURITY ELECTRONIC



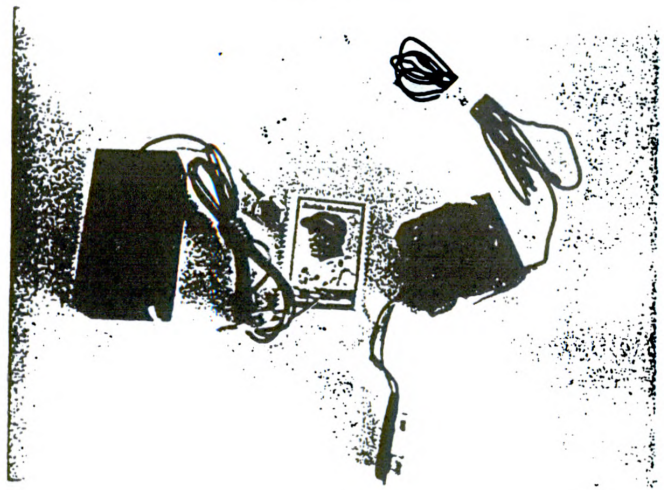
A pair of not-less-than amazing German entries into the field of sub-miniature broadcasting. The tiny black cube with the plugs is a "mains" transmitter. It is hooked across any AC line (often hidden in-wall or behind a wall socket cover plate) where it draws it power from the line. This model is so good it uses the wiring as its antenna as it picks up whispered conversation from 20 feet away, has a stong signal and will work on either 110 or 220 depending on how one hooks it up!!

The second, almost as tiny, cube is a three wire transmitter. It is hooked across an active phone pair (usually hidden in the phone itself) where it broadcasts any conversation a healthy distance (using the telco wires for an an antenna), after the phone is hung up it reverts to an area transmitter picking up all local sounds and rebroadcasting them in the same manner. The device is parasitic (no batteries) and works very well. Both units transmit on the hard-to overhear 138 Mhz range.

Yes, I know this three wire bug only uses two wires.

No, I don t know how they do that...

THE POLICE VERSIONS



The two transmitters pictured are made by CRIMINAL RESEARCH PRODUCTS and are sold to "law enforcement agencies only". Their products are also handled by MICROTRON.

The unit on the left is powered by a 12 6 volt mercury battery. It's pick-up is very good. Range is about 600 feet. Stability is good, harmonics are fairly strong.

The unit on the right ("ultra-small room transmitter") uses the more common 9 volt battery. It's range is only about 350 feet stability is okay but even more harmonics. Pick-up pattern is very good. Power consumption is 9 mils.

Comments The 12 6 volt mercury battery will set you back about ten bucks, is fairly bulky and hard to find in radio stores. The range on this unit is better than the range on the CRP 9 volt unit BUT NOT as good as several of the other units.

All in all there is nothing special about these devices except.

Price $500 EACH!!!!

INCREASING THE EFFECTIVE RANGE OF A TRANSMITTER

In order to demonstrate the increase in range possible with a minimum of modifications I took the unit from SCIENTIFIC SYSTEMS and added their helical antenna (coupling it correctly to the output of the transmitter) and boosted the power supply voltage to 18 volts.

I then took the SCIENTIFIC SYSTEMS half wave dipole and attached it to a better receiver. (Details of these prodocts and modifications are in the "Improving" chapter).

The difference?

Instead of the several hundred feet I obtained in the orginal test I was able to receive, and lock the AFC on to a signal from a range of almost 1 MILE!!

TELEPHONE TRANSMITTERS

As most manufacturers use pretty much the same transmitting stage for their phone and their room bugs I am going to just offer a synopsis of my test results.

SCIENTIFIC SYSTEMS WWOM 5 wireless phone monitor. This is a parallel device which uses a 9 volt battery. Range is about 200 feet (in my test) and battery drain is low (2 mils on hook/10 mils off hook). Unit only broadcasts signal when phone is off hook. Price: $34.50.

CRIMINAL RESEARCH PRODUCTS "inline telephone transmitter." This is a series unit which draws its power from the phone line. It uses its own antenna (which must be wrapped around inside the phone) and only transmits when the phone is off hook.

Nice strong signal, clear transmission. Price $500.....

CONY phone transmitter. This is an unusual animal; a parallel transmitter which leaches off the telco power so no batteries are required. The unit is extremely tiny and can be installed in a couple of seconds by clipping across the phone lines at any point. It also uses the phone lines for an antenna and gets a very respectable range of 700 feet. Price under $50.00...

CRIMINAL RESEARCH PRODUCTS parallel transmitter. Specifications the same as the room bug shown.

Price: $500...

CONY induction transmitter. This little gem can be set (or hidden) near the base of a phone instrument and will broadcast both sides of any conversation WITH NO CONNECTION TO THE PHONE. It is battery operated and doubles as a room bug. Constant signal. Sometimes can operate just with the phone cord wrapped around it, although signal is much weaker. 200 foot range.

Price: $24.70.

Putting It Where It Belongs

PLACEMENT

There are two aspects to placing a bug for best results: how to get it into the target area and where to put it once there.

First let's look at how to get it in. There are several alternatives and I'm going to cover them in order of descending legality:

1. Friendly access - In this case the planter gains access to the target premises by knowing the target, or simply finding a reason to talk with him. So far so good, no laws have been broken until the unit is planted.

2. The gift - Beware of Greeks bearing same....Many bugs are built into, or added to items that would go in the room to be placed under surveillance. A nice pen set would be placed on a desk, a lamp would be nearby (and plugged in....), a cute/fancy/expensive paperweight would be placed on the desk...The problem here is if the unit is discovered you know who will be blamed. It is possible to send the gift without a card, especially if there is occasion for gift giving, or even take a real direct mail come-on and put it in with the "gift" along with a little card you have made up stating the receiver "is free to keep the pen-pencil set whether or not they subscribe to Office Pets monthly".

3. Pretext - It is quite easy to put a tool belt around your waist, hang a lineman's test set from it and show up as a telephone repairman checking for an intermittent connection. The same can be said of gas men, fire or health inspectors, building inspectors, et al. With this subterfuge we are approaching heavy non-legality....

4. Burglary - Prisons are full of people who can attest to the inherent danger of this particular approach. If you take the risk, at least carry fake ID, a large amount of bribery money and case the joint well in advance of penetration. If you can get in

and out without breaking anything and you do not steal anything, chances are, your little uninvited intrusion will go unnoticed. Few burglars break in to leave something there...

BEST RESULTS

Once you have gotten access to the target area, you should do a fast mental survey to determine the optimum areas for physical placement.

First of all, look at it from an electronics standpoint. By now you will have tested this particular unit to see from what distance it clearly picks up conversation which is spoken at a normal volume. (A good unit will easily go 10 to 20 feet).

This measurement provides your envelope distance from where the target will be located. Do not mount the unit within 1 1/2 feet of any large metal object such as a file cabinet or metal desk as these will absorb much of the transmitted signal. Do not mount near electrical wiring (unless the unit is designed to operate off of AC current) or near fluorescent lights, both will induce hum into the unit. DO stretch the antenna out to its full length and tape it in position. Attempt for a vertical placement. If this is not possible, stretch it out horizontally and then align the receiver antenna in the same direction.

If you are not certain of the intended placement, it is advisable to have a couple of different mounting aids with you when you enter the target area. One of the most useful is double sided tape (3M makes a good example). You should also have strong one-sided tape and thumb tacks.

The easiest method of placement is simply to reach under the chair in which you are sitting (in a "friendly" approach) and stick the unit to the underside with double sided tape. This is a "dirty" placement, which may be discovered at a later date, but it will work and can often be done right under the nose of the target.

Other possible sites include behind pictures, under desks, behind bookshelves and at the very bottom of curtains (although thick curtains tend to absorb some of the sound). Remember, you are looking for areas which are not subject to search or routine cleaning....

If you have the time and access, bugs, especially AC powered versions, can be mounted inside wall sockets, lamp bases, or telephones.

Information really is power, and you would be surprised at the actual number of bugs that are planted. One company which markets an expensive device designed to locate bugs, either "dead or alive" (detailed in the counter surveillance section) actually offers a money back guarantee to any Fortune 500 company that FAILS TO LOCATE A BUG ON THEIR PREMISES!

Think about it....

B And E

MAXIMIZING SURREPTITIOUS ENTRY
or
You might as well get hung as a sheep as a lamb....

If you are going to take the risk of a SE, or as the police so mundanely call it, a burglary, you will want to both minimize your exposure time as well as locate anything of interest.

The first stage is to PLAN the pre-entry with regard to the target's usual comings and goings. The exact method of entry should be rehearsed and the necessary tools on hand.

Assuming you are going on an information fishing trip, and not a-get-rich-quick venture, you will want to leave your little intrusion unnoticed.

One entry to the area is gained, begin with the obvious; the desk, the note pad, incoming-outgoing letter trays, file cabinets. Don't stop to examine the details too carefully, that's what they invented cameras for. Photograph everything that looks like it might be of ANY interest for later analysis. Don't forget the contents of the trash baskets. Run a soft lead pencil over any note pads to see if readable impressions remain of previous writings (or steal the top few pages and do this at your leisure). Steal any used carbon papers and poly-typewriter ribbons for later deciphering.

A good tip can be borrowed from the continuity departments of movie production studios; take a couple of quick Polaroids of the entire target area when you first get inside. These pictures will help you arrange everything exactly as you found it prior to your departure.

Once the obvious places have been cruised, look for the unobvious. It helps to have some idea of what you are looking for. Is it information that is small enough to be hidden easily, but used often enough so access is a major consideration in its placement? Is it large, but can be hidden deeply enough because immediate access is rarely needed?

The search for concealed goodies should be divided into horizontal levels rather than areas. The most often used level is that of the target's eye level. People hide, or place things where their eye picks out a resting spot.

Begin at this level, including a three foot wide zone of interest, and search for hollow items, items that leave a space behind them, or any detail that simply DOES NOT FIT WITH ITS SURROUNDINGS. This latter can be scratches on sills, desk drawers or floorboards, mismatched paint or just items not normally found where they are.

Pick up and shake any potentially hollow object. Jiggle any supposed stationary object to see if it really is in said condition.

Working within each zone of interest first eye level and either then up or down, take all drawers out of desks or cabinets and check their underside for taped on objects. Unroll all window shades and look behind curtains.

Pick up all books and either open them as time permits, or make a quick judgment as to their apparent weight versus what it should be. Hollowing out a book is a favorite hiding place for small items.

Look on the underside of tables, above acoustic tile type ceilings, inside any light fixture that does not work. If time and risk permits, unscrew wall sockets (do take a bit of care here) and look inside as these are excellent stash places.

Most doors are hollow in modern buildings and it's quite simple to make a slot in the TOP of the door where it would normally go unnoticed.

Desks and chests of drawers have many possible areas for false bottoms, hinged plates, and removable backs behind slide-out drawers. A tape measure can be very helpful in verifying if the distance between the back/bottom of an object and the restraining wall or board is thicker than it should be...

Tapping and listening for hollow sounds is a quick check of suspicious areas.

Common office or household equipment offer quick and easy hiding places. Staplers leave extra room in their staple holding compartments for small items, telephones can be quickly disassembled (usually with two screws) and have quite a bit of extra usuable space. The backs of televisions, intercoms and radios come off with minor effort and the front grill cloth of stereo speakers is usually held in place only with velcro! A simple pull will separate it and reveal a lot of empty area.

Home type valuables are often buried in flower pot dirt, hidden in hollowed out eggs or frozen in ice cubes. In fact, the home refrigerator seems to be a favorite "safe."

The backs of pictures should always be checked for small items as should the pockets of jackets or shirts in closets, or even the interiors of socks.

Always quickly feel under seat cushions, mattresses, chairs, in any medicine or spice bottles, in magazines, letters and rolled up newspapers.

Remember: look under, behind, or inside. Lift, jiggle, weigh, open, tap, unscrew (time permitting), or pinch shut (magazines and folders). Run your fingers along floor boards and carpets, and just step back and LOOK for anything out of place, suspicious appearing or an object that you would hide something in.

A MOST UNUSUAL SOURCE

ARRON SECURITY SYSTEMS
PO BOX 11127
San Francisco, Ca 94101

AARON is owned by a friend of mine, so this can be taken as a plug....HOWEVER he (they) have supplied a number of interesting ideas and devices for my perusal. The owner is also one of the best locksmith/safe men I know of.

AARON can supply locksmithing supplies, almost any computer product you can name, tear gas, and/or advice and consultation at fees that are quite under market.

They do tend to respond quickly and with accuracy. I have counted on them for general detective work and numerous supplies from counsersurveillance to pick sets...

Rock Turning; The Art Of Digging Out Facts

DIGGING

Without a doubt the number one, very most important thing an investigator can know is WHERE TO FIND INFORMATION. Out there in the jungle, are books, libraries, computers, newspapers, and civil servants, all justifying their existence by collecting and storing data on YOU, and unfortunately, me...

One can prepare a dossier on almost any person, or company, by simply understanding the system, and knowing where and how to dig. The finished product will be so complete it will scare you. A background investigation done in this fashion will contain things the target has himself forgotten, along with things neither his mother nor his wife ever knew....

The following list is the most complete collection myself and a number of experts in the field could come up with. Most of the sources listed are publicly, or semi-publicly available. Some are considered closed.

In dealing with any set of records under the control of a living person there is no such thing as a closed source. Some simply necessitate a different plan of attack.

Civil servants, city hall record keepers and such, are often bendable by the correct use of flattery and involving them in an "important investigation" to find the real father of Susie before she succumbs to the cancer....

Bribes are often an acceptable alternative. The key here is to determine who actually needs to be bribed. Never go for the head of a department if a low paid clerk has physical control of the materials...

Many of these sources can be found at a large library, or private collection. Rarely does one have to buy expensive directories. When applicable I have included source suggestions.

GOOD HUNTING!

TELEPHONE DIRECTORIES - Most Americans are listed in a phone directory somewhere. You can find major and many minor directories at big city libraries. The phone company central office will also have many on hand you can peruse. The phone company will also give you, free of charge, any directory you ask for, if it is for business purposes.

REVERSE DIRECTORY - This particular edition lists the number, 771-3082, followed by the owner, Jones, Jim, and address, 69 Peyton Place. Same sources as the other directories.

PRIVATE TELCO INFORMATION - Every phone company has a list of their unpublished numbers, along with long distance call records, credit applications, where else the target has had a telephone and any additional listings or references he used on his original application. This information comes under the control of the telco's Chief Special Agent. He is in charge of hunting down nasties who defraud the phone company in one way or another and is probably an ex-cop or federal agent. He usually will cooperate with legitimate police agencies and may help along a PI or other person with a cause.

In smaller phone companies, or outlying districts the Chief Operator will have access to this information.

Good people to make friends with.....

UNLISTED NUMBERS - There is no legal way to get an unlisted/unpublished number. There are a couple of other ways. The phone company puts out a small book of all unlisted numbers in their area. A phone person can sometimes be bribed to sell a copy of this book. If the number is actually unlisted a good private detective will have sources for it or follow my technique.

CROSS DIRECTORY - Each local phone company publishes a cross directory. This book lists every address in the district by street and then gives the occupants' name and telephone number. It does not list unlisted/unpublished numbers. The directory is normally updated every couple of months and is rented on a subscription basis. Many local libraries will have a copy. Most collection agents, some answering services and many news departments of radio and television stations will have a copy you can borrow for a moment. This directory is invaluable when tracking someone. If you can't find their number you can at least call their ex-neighbors with a nice story and come up with some information...

CITY DIRECTORIES - Since the 1800's R. L. Polk Company of Taylor, Michigan has published city directories for most cities in the US. Sometime later they were joined by Cole's Householder Directory, Lincoln Nebraska. These directories are not based on telco information, but are compiled by having some $3.00 an hour "investigator" walk from house to house asking who lives there, how many in the family, the phone number, etc. If they miss anyone they leave a mail form. Many people who would not list their phone numbers, or don't have a phone in their name, will obligingly fill out these snoop forms because of the accompanying propaganda about how important the information is....Most libraries will have at least one of the directors for their area, phone companies will list

the local office of the director compilers. Collection agencies and news departments will have a copy of the directory. The Library of Congress in Washington, D.C. has the most complete collection of current and back issue city directories in the country.

NEWSPAPER FILES - The New York Times publishes an up-to-the-minute file of all articles that appear in their publication. These articles are filed under subject and title. If you locate a likely sounding article the paper can be viewed in microfilm form. Most libraries carry the New York Times directory....Many large cities also have a file for one or more local papers. Again the main library will have these files on hand.

NEWSPAPER MORGUES - Virtually all good newspapers keep their own library, known as a morgue. Within these duty confines they sort, file and store every article printed under subject, title, or person involved. This library is primarily for their own use, checking background information on a new lead, etc., but one can often gain access by approaching the head librarian with a plausible story, or by showing ID, and credentials from another newspaper or magazine, or by befriending a clerk. The information contained herein can be invaluable....

CERTIFICATES OF EXISTENCE - The government loves you. To prove that they are constantly collecting data to verify that you exist...

BIRTH CERTIFICATE - Name of child, eye color, name of father, mother's maiden name, date and place of birth, father's occupation, if couple not married at birth, name of doctor who delivered.

MARRIAGE CERTIFICATES - Name and place of birth for the man and woman, her maiden name, man's occupation, status of any previous marriages, birth dates and places, blood type.

——NOTE——Once you have located a birth or marriage date and place go back thru the newspapers (from the library or local paper) for that and nearby dates. Often one can find photos of the bridge, gossip column articles about the "new baby", who was at the wedding shower or baby shower, where the wedding was held, best man and women, what the parents of the bride, groom, do and where they live.

DEATH CERTIFICATES - Date and cause of death, doctor who signed the certificate, residence and occupation, SS number, military record, birth date and place, cemetery and funeral home names.

DIVORCE RECORDS - Names of both parties, her maiden name, date and place of marriage, number of children, what the divorce was based on, where it took place. Many also include residence address, financial arrangements, custody arrangements and location of complete file.

CERTIFICATE OF ADOPTION - Names, places, occupations of new parents, birth dates, places of child, natural mother name(s).

TO GET THIS INFORMATION USE OUR RECORD GUIDE AT THE END OF THIS SECTION.

NEWSPAPERS - The library should also have a copy of "Directory of Newspaper and Periodicals" (Ayer and Sons, Philadelphia). This source lists virtually all the newspapers published in the US and some surrounding areas. It provides publication info, subscription details, size, circulation and a short description of the town and surrounding areas in

which the newspaper is published. Very helpful for writing or calling for morgue information. Besides, very little occurs in small towns that the newspaper editor is not aware of.....

CREDIT BUREAUS - Anyone who has ever applied for credit, in any form, should be on file with a credit bureau. Almost every town has at least one credit bureau; local merchants join the bureau or agency for a fairly reasonable fee and then have access to all sorts of juicy tidbits of gossip on nearly everyone in the country. Some of it is even true.

Most small credit agencies belong to an association of credit agencies such as The Associated Credit Bureaus, or Trans Union Systems, as this gives them access to records all over the country.

The giant of the credit gossip industry is Retail Credit Company, Inc., founded in 1899. They employ some 5,500 investigators whose job it is to go out into the field and ask neighbors if they think you drink too much, use marijuana, beat your wife and kid, are a homosexual, etc. They furnish this information, along with credit info, to their members, many of whom use it for employment purposes rather than loan applications. They have files on 50 million Americans.

The other major firm is TRW ("a company called TRW"), who recently changed their name to Equifax due to some adverse publicity. They are not quite as concerned with simple gossip as Retail is, but they do employ "field representatives"....

Most credit agencies get their input from banks, stores, doctors, etc. If you are granted credit anywhere, the member organization is supposed to report it to the agency. Your payment record along with your application for the loan is forwarded to the agency and added to your file. Needless to say, information one can garner from a credit agency is considerable, and will include, employment history, net worth, debts outstanding, address, SS number, payment habits, lawsuits, judgements, who the subject has purchased items from, where they bank, size of bank account(s), up to, and including if some neighbor who dislikes the target feels he is prone to drinking while beating his wife because he is really a faggot.....

You should join a credit bureau BUT NOT AS AN INVESTIGATOR. Many agencies consider PI's or other snoops to be the competition and discourage their patronage.... Form a phony shop and join under that, OR make friends with a small business owner nearby and offer him a fee of $5.00 for every credit search he puts through for you....

The first thing you should do upon joining, or gaining access to a credit bureau, is to run a check on yourself. This will give you a surprising look at the accuracy of this system.

My personal check listed my total credit history as one $75 dollar debt to a dentist. Omitted were the loans (paid off) for 6 cars, one house, a $7,000 personal loan, credit union accounts, 7 years with the same bank, or 10 years of paying off 2 credit cards on time.....

Very accurate....

CREDIT CARDS - Many people in this country have the unnatural habit of buying things with money they do not have...This practice, which in other times would have resulted in "hanging by the neck until dead" is usually performed with the help of a friendly credit card company. It is possible to put together a very graphic picture of someone's lifestyle

and habits with a credit card history. Many companies can be convinced to cooperate with a "professional investigator"...

ADDRESSES: Carte Blanche, 3460 Wilshire Blvd., LA 90010; American Express, 1200 Concord Pike, Wilmington, DE 18803; Diner's Club, 10 Columbus Circle, New York, NY 10019 (these are not actually credit cards, but T and E or travel and entertainment, cards); Mobil Oil, 150 E. 42 St., New York, NY 10017; Exxon, 1251 Ave. of the Americas, New York, NY 10020; Standard Oil, 200 E. Randolph Dr., Chicago, IL 60601; Sears Roebuck, 1 Custom House Square, Wilmington, DE 19899; J. C. Penney, 3801 Kennezt Pike, Wilmington, DE 19807.

BUSINESS CREDIT - The business counterpart to the credit bureau is a corporate credit agency. The best known, and probably the best operated, is Dun and Bradstreet. But this field also includes Standard and Poors, and Moody's. These agencies rate companies for their members. They will rate anyone, one of their members asks for a credit check on, down to and including small stores. This service is normally accomplished by checking with the business' bank, reading any prospectus, physically visiting the business in question and telling the owners or manager that a supplier has requested a credit reort and asking for references. The field investigator will also turn in his private report about how he feels the business is run, its true financial condition and so on. The agency will contact any and all references and ask them about the business' bill-paying habits. Out of all this mish mash they develop a credit rating which is then published. Many libraries will have this information....If not, a member should be offered a fee to request a credit check on a traget company or business....

EXECUTIVE GUIDE - Most business libraries will have "The Guide to Corporate Executives and Directors" on hand. This guide lists exactly what you would expect it to list....

SOCIAL SECURITY ADMINISTRATION - The SSA has records on virtually every American who has ever done an honest day's work. Hopefully that will even include a number of my readers.....

It would seem easy for cops, IRS people and so on to utilize this vast storehouse of knowledge to trace anyone they so desired, but it is not that way. For some unknown reason the SSA is the one government organization that seems to have always maintained a sense of honesty and a conscience. They will not release any information to anyone without a court order forcing them to do so.

After saying that, there is one small exception. In latter years the SSA has been a little cooperative with known organizations that are working for humanitarian reasons, the most common being for adopted children searching for their real parents. The request usually come from one or two large, trustworthy organizations, but on occasion they will honor other requests for the same purposes.

Any attempt to utilize this small crack in the SSA security net should be directed to: Data Processing Director, Social Security Administration, Baltimore, MD 21235.

The library will have the Who's Who's, and possibly some other directories....

DOCTORS, INSURANCE COMPANIES, HOSPITAL RECORDS - These records are "protected" to a certain degree and should require a court order or a release form from the target. A good record keeper would demand the form be notarized, but not all do....

HOTEL REDBOOK AND DIRECTORY - American Hotel Association, 221, W. 57th St., New York, New York. Name and information of all hotels in the US and surrounding countries.

LOCAL GOVERNMENT LENDS A HAND!!

Remember your government is there for you! Right, and you pay their salaries; try to bear in mind when some bored clerk can't give you the time of day...

At any rate, one can get a shipload of valuable information at the local government seat. Most of this data is available to anyone who takes the time and trouble to access it.

COUNTY RECORDER - Will have on hand:
- Marriage licenses
- Marriage certificates
- Birth certificates
- Death certificates
- Coroner's certificate

COUNTY CLERK - May have:
- Marriage license applications
- Civil files - Judgements and liens against the target change of name and/or location of transcripts.
- Civil Index - Any and all civil actions listed by date and plaintiff.
- Probate Index - Estates, deaths, probate fights.
- Criminal Index - Ongoing criminal actions in local superior court.
- Criminal Files - Transcripts, attorneys names, complaint, crime nature, probation report and defendant's background.

COUNTY RECORDER - Deeds, grants, claims, and other real estate actions. Mortgage information and powers of attorney. Judgements made against real estate, liens and pending actions. Births and death listings, bankruptcy and military service discharges.

INDEX TO RECORDS - Normally a thick file or photostat of all records on file. Will be indexed and cross filed by defendants, plaintiffs, titles, etc. Will show where complete records are located.

COUNTY ASSESSOR - Maps, owners and assessed value of real property.

REGISTRAR OF VOTERS - All local voting registrations including party memberships, occupations, and so on.

CORONER - Records of deceased persons including dates, inquests and dispositions.

CITY ASSESSOR - Same as county but only in the city....

TAX COLLECTOR - Property descriptions, taxes payed and/or owed, former owners of real estate.

BUILDING DEPARTMENT - Applications, permits, costs of construction.

STATE RECORDS - The state normally has more records than either the county or the

city, in addition they usually stock duplicates of most local records.

DMV - The Department of Motor Vehicles is a natural source for important data; in some states a call will give you the info sought, in some one mails a license number and a small fee (usually about $1.00) to the DMV and they will return the favor with owner info, and in some states they will not give out any details to anyone but the cops. One approach to this problem is to go thru the cops (I was hitchhiking and left my briefcase in this car, the license number is.....).

SPECIALIZED SOURCES - Equifax and a couple of other companies maintain a cross file of credit and risk information available to insurance companies. This file is used for, among other things, determining if someone is a bad risk due to suspected fraud or too many claims.

Las Vegas Casinos maintain files of big spenders, big losers, and a "black book", compiled by a local detective agency, of people who are not allowed to play blackjack. Of the 400 or so names and pictures in this book, most are cheaters, but some are exceptionally good card counters who have a habit of winning....

SCHOOLS - A cumulative file is kept on every student from kindergarten through PHD by the school involved. This file will include such things as parents, addresses, grades IQ (this is figured on the standard IQ test; mental age divided by real age, times 100) receiving and forwarding addresses. The school yearbook, maintained in the school library will give photos, interests, girlfriends, organizations, and other useful data.

WHO'S WHO - This directory began as a fairly legit method of listing persons who are important in one or more fields. The main edition is Who's Who in America; the biographies are compiled by the publisher who mails out forms to be filled out by persons arbitrarily felt to be worth of inclusion. Most people fill out the form due to the ego surge of being included. There is no charge for the listing, but it should be noted that most people listed shell out the $40 or so bucks to purchase a copy of the published work to show their friends...

Who's Who has expanded to Who's Who in the East, WW in the West, WW in Business, WW in the Arts, and so on....it appears to be a profitable enterprise....

Any gap left by Who's Who is taken up by private companies who publish "Directories" of Important People. The directories are modeled on the same formula as the original and inclusion forms are mailed to anybody who has ever had an article published, a poem run in Ladies Home Journal, or has had a mention in the local paper for being the best dogcatcher ever hired by the county....

NATIONAL DRIVER REGISTER SERVICE - Established to keep tabs on drivers who have had a license suspended or revoked in one state (DWI, fatal accident, too many points, etc.) and reapply in another state. NDRS, Bureau of Public Roads, US Dept. of Commerce, 1717 H St., Washington, D.C.

MILITARY - Most military service records are available from: Military Personnel Records Center, GSA, 9700 Page Blvd., St. Louis, MO.

U. S. ARMY ADMIN CENTER
9700 Page Blvd.
St. Louis, MO

PERSONS STILL IN A SERVICE:

Bureau of Naval Personnel
Navy Dept.
Washington, D.C. 20370

U. S. Marine Corp.
Headquarters
Washington, D.C. 20380

U. S. Air Force
Airmen Records Annex
Randolph Air Force Base
San Antonio, TX 78291

U. S. Dept. of Trans.
U. S. Coast Guard
400 7th St. SW
Washington, D.C. 20590

MAIL IT

Any good investigator depends a great deal on the help of the United States Government in the form of the postal service. Some angles employed are:

An investigator rents a post box in a general firm name (say, Acme, Inc). He then has a typesetter prepare a general letterhead (Acme, Inc), or better yet, a variety of specialized letterheads:

Acme Security
Acme Title Company
Acme Morgage
Acme Lost Children Finders

He then has a printer run off 100 of each letterhead. No one checks to make sure our investigator actually has any connection to Acme Little Lost Children and Old Ladies Location Service....

When he deals with a bank he would approach them on a financial letterhead requesting information on one of their customers who has applied for a loan with "his" firm.

Other letterheads would be employed in other situations. It must be pointed out here that any attempt to profit by this type of "white lie" would be fraud.

THE INVESTIGATOR ALWAYS INCLUDES A SELF ADDRESSED, STAMPED ENVELOPE TO BE MAILED BACK TO HIS POST BOX!

Most post offices are much too busy to check out the name of incoming mail, by law their are to deliver any letter with the correct box number, regardless of name...

An alternative to this method is to rent a mail service. Most cities have a number of these private box renters. One fills out a form listing references and names of people to receive mail and then rents the box on a monthly basis. This method allows the address of a firm to be a street address, with a "suite" number, rather then a post address.

The rental form is filed with the post office, but the references are not checked and the information is private EXCEPT for law enforcement purposes or due to a court order to reveal same....

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Procurring Confidential Telephone Company Information

OBTAINING TELEPHONE COMPANY LISTINGS, NAMES AND UNLISTED NUMBERS

There are several methods which some persons use to obtain telephone company "inside" information. All of these methods rely upon the investigator passing himself off as a person who has the right to said information.

Because of the complexity of the telephone system in this country this is actually accomplished fairly easily. Each telephone office has a standard set-up to pass on necessary information to its employees who have a "need to know". These offices are protected from outside intervention simply by secrecy; the general public is not aware they exist, or familiar with the technology needed to access them. Due to the number of requests and the enormous manpower involved it is almost impossible to "police" incoming requests to any degree other than to make certain they fit into the general category for such requests.

Needless to say the phone company is NOT HAPPY with the idea of outsiders using these services and they change the access numbers every so often to "freshen" the procedure.

CNA

CNA, or Central Names and Addresses, is an inside office manned by telco personnel and available to linemen, business office personnel and installers. Basically CNA is a computer which has all the numbers and their billing information for a certain area. Each CNA office is usually manned only during business hours and may serve more than one area code.

CNA procedure goes like this:

dial dial dial
ring ring ring
"Hello"
"Hi, this is John from Pine Street Frames (or San Mateo Business Office, or San Mateo Phone Store) and I need one on 415-349-6867." (Many repairmen do not give their names, but some CNA exchanges may ask who you are, or what office you are from.)

"That number is listed to a Steven Spielberg." (They will spell the listing if asked, and will report if more than one name appears on the billing record.)

Note the caller used the area code, as the CNA office may handle more than one area code.

In spite of their name, most CNA offices no longer give out the listed address, however, they do have both listed and unlisted NAMES on file and will give both out.

A slower alternative is to call the number in question from your phone, or a friend's phone which is out of the immediate area (so it is a toll call), talk for a few seconds to give the pen register time to record the number for billing purposes(try to sell them dance lessons or something) and then contact the phone company business office after you receive the bill disputing the call. They have to give you the billing name of any call on your bill, again they will not give the address...

If CNA has no listing (rare, but it happens) a wise person gets the number for the billing office of the prefix of the number he is chasing down (349 in our example) and calls them.

Each such billing office has information on phones in their area alone; so the caller would be from another business office some distance away from the one he is calling.

"Hi, Joe here from San Francisco Public Office. I need a billing name for a customer that CNA doesn't have Can you check the listing for 349-6867?"

They will give out the name.

It should be noted that the customer service billing information number is listed n the phone book or is available from 411 (or 555-1212) information assistance.

TO GET AN ENTIRE TOLL LISTING

An enormous amount of information can be gotten from the last month's toll information of a target's bill. Just the numbers and areas called can often by a help, using the CNA procedure you can piece together an entire scenario of a month's communication.

The bad news is that it's a bit hard to get this; the method most commonly used is to call the customer service number for that prefix (as above) and explain you're having a dispute with roommates and lost your copy of last month's bill, would they send you another.

Telco will normally want to send it ONLY to the address listed on the bill, but you can ask that it be sent to your work address, or if the phone is now disconnected, to your "new" address, BUT YOU MUST BE THE PERSON LISTED ON THE BILL.

ADDRESS CHASING

If you get a name from CNA and still want the address, call the old, helpful, customer service billing number for that prefix, use the roommate's story and ask for another copy of "your" bill.

"Just send it to my address, you have that don't you?" With a bit of luck the person will reply, "Yes, Mr. Spielberg, that's 812 First Street, isn't it?"

Uh huh.....

THE LIST OF CNA NUMBERS FOLLOWING THIS ARTICLE IS ACCURATE AS OF NOW. THEY ARE CHANGED AT LEAST ONCE A YEAR.

You can usually find a friendly repairperson or installer who will give you the local CNA (that's all he's going to have).

UNLISTED NUMBERS

Every city has one or more offices dedicated to assigning numbers to the telephone wire pairs. These offices are called DPAC offices and are available to service Reps who are installing or repairing phones.

To get the DPAC number, a service rep would call the old stand-by, customer service number for billing information in the town the number the phone is located in that he is trying to get the unlisted number of. Okay?

The conversation would go like this, "Hi, San Fran, this is Joe from San Mateo Business Office. I need your DPAC number for the south end of town."

This information is usually passed out with no hassle, If the first billing person does not have it, or is not helpful, try one from a different prefix in the same city.

The "rep" would then call the DPAC number (note: he would have listing info from his own district; again he is calling from a nearby town).

"Hi, Dee-Pac this is Joe from San Mateo Phone Store, I need the listing for 812 First Street".

The San Francisco office will then give the number at the address requested. THERE IS NO NOTATION AT DPAC IF THE NUMBER IF LISTED OR UNLISTED.

Area Code		Number
201		676-7070
202		384-9620
203		798-6815
205		988-7000
206		382-8000
207	617-	787-2750
208	303-	399-4200
209	415-	546-1341
212	518-	471-8111
213		501-4144
214		948-5731
215	412-	633-5600
216	614-	464-2345
217		525-7000
218	402-	345-0600
219	317-	265-7027
301		534-1168
302	412-	633-5600
303		399-4200
304		344-8041
305	912-	784-9111
307	303-	232-4200
308	402-	345-0600
309	217-	525-7000
312		796-9600
313		223-8690
314		436-3321
315	518-	471-8111
316	816-	275-2782
317		265-7027
318		227-1551
319	402-	345-0600
401	617-	787-2750
402		345-0600
403		425-2651
404	912-	784-9111
405		236-6121
406	303	232-4200
408	415-	546-1341
412		633-5600
413	617-	787-2750
414		424-5690
415		546-1132
416		487-3641
417	314-	264-7231
418	514-	861-2635
419	614-	464-2345
501	405-	236-6121
502		583-2861
503		241-3440
504		245-5330
505	303-	399-4200
506		657-3855
507	402-	345-0600
509	206-	382-8000
512		828-2501
513	614-	464-2345
514-		861-2635
515	402-	345-0600
516	518-	471-8111
517	313-	223-8690
518		471-8111
519	416-	487-3641
601		961-0877
602	303-	399-4200
603	617-	787-2750
604		432-2998
605	402-	345-0600
606	502-	583-2861
607	518-	471-8111
608	414-	424-5690
609	201-	676-7070
612	402-	345-0600
613	416-	487-3641
614		464-2345
615		373-5791
616	313-	223-8690
617		787-2750
618	217-	525-7000
701	402-	345-0600
702	415-	546-1341
703	804-	747-1411 P.R.
704	912-	784-9111
705	416-	487-3641
707	415-	546-1341
712	402-	345-0600
713		658-1793
714	213-	501-4144
715	414-	424-5690
716	518-	471-8111
717	412-	633-5600
801	303-	399-4200
802	617-	787-2750
803	912-	784-9111
804		747-1411
805	415-	546-1341
806	512-	828-2501
807	416-	487-3641
808	212-	334-4336
809	212-	334-4336
812	317-	265-7027

TELEPHONE TRICKS

The telephone company can be a great friend when attempting to locate someone, or even gather information on someone.

First of all, most people in the United States have a listed phone number. If the person you are seeking has no listing in your first choice city try nearby large cities. Remember to check in the town where he went to college.

Three possible results of this search are:

You get it.
It is unpublished.
No listing.

If it is unpublished proceed to the section on cracking unpublished numbers.

If you cannot find any trace of your target you can try of the telephone company's favorite game shows; Beat The Operator....

To play you take the correct last name of several people in or about the target's area. Now if we're still searching for Steven Spielberg, we would call person-to-person for a Stu Spielberg.

As the connected party says, "Sorry, no one here by that name," one jumps in over the operator and says some fact you know about the target from past research.

"He went to UCLA film school in 72." With luck the person on the other ends replies, "Oh, you want my cousin Steve, he lives in North Hollywood...."

This entire process has not cost you a dime....

If you can locate a relative you can always call up with an "attorney looking for the possible heirs to a large estate" story. This approach often produces results.

Intelligence

Gathering data about one's surroundings is the third oldest occupation in history. It may not seem like the most honorable at first glance ("oh, your son's a doctor, mine's a spy") but who wants to be a soldier, and prostitutes have such a limited life expectancy.....

Raw data should be assembled by any and every method possible. Of course, one crosses a small line somewhere between taking a target out to lunch and climbing through a skylight after filling the burglar alarm with sub zero fire extinguisher foam.... The risk versus the probable gain must be the factor that decides just how far one will go for any particular gem of information.

The first impression upon reviewing unprocessed data is that it is cold and often uninteresting. No pictures seem to leap out of the empirical columns that will instantly solve any problems.

This impression is correct. It requires much effort, thought and possibly drugs, to draw conclusions that bear any resemblance to reality.

Most data is entirely without use to anyone except an intelligence agent and/or case manager. Even then its use is analogous to what a box of clay is to a sculptor...

Data must be attacked in a program of multivariate analysis. The pieces and points must be shifted about like chips of a puzzle to reveal relationships and patterns ALREADY inherent in the data. THEN upcoming situations can be estimated AND actual predictions can be offered which will usually lead to more data (which is filed) and will confirm or any the current situation as the correct methodology.

USE FEEDBACK TO CONCENTRATE YOUR INTELLIGENCE EFFORTS!!

Why collect data and convert it into intelligence? Quite simply, any productive intelligence allows a person, or a corporation to MAKE DECISIONS MORE EFFECTIVELY.

How The Big Guys Do It

PRACTICE RUNS

A common "graduation" exercise employed by government intelligence services is to have their agents plan and perform a mock attack against target office, or business. This is usually done as the agents finish their schooling in surreptitious entry techniques.

Each agent, or pair of agents, is given a live target, possibly the central offices of a local corporation. It is then the agent's job to break into the target, gather as much information as possible and get back out. The main considerations are not getting caught and not having the target realize anything is amiss.

On some occasions the agency may arrange to have the students caught and taken to jail to see how they react.

Private agents sometimes use a technique based on this exercise. In order to test himself, or his student, a private agent will pick a target company, or person, and then attempt to build a complete dossier in as quickly as possible.

The logical starting point is available information. Using city, county and state records he will assimilate as much raw data as possible. This data is then combined with information obtained thru credit checks, newspaper and library reference sources, DMV and phone company reports and so on.

Normally this avenue provides a shell of raw data that will then point the way towards other approaches. The next step is often personal contact. If the target is a company that allows tours, it is quite simple to involve one's self in a "hands on" guided foray. Other contact possibilities include applying for a job, interviewing executives for a trade publication or "meeting" people outside of the company environment (see the section on these methods for more details).

Surveillance is a logical progression; personnel can be located and traced through license numbers, favorite bars can be visited where conversations can be started, or just overheard, office romances can be detected.

The target's trash should be fully inspected, any stockholder's reports or internal newsletters are always read carefully.

So far everything suggested is legal, if not entirely aboveboard. A fair quality and quantity of useable data can be gathered in just this manner.

If the agent is serious and willing to run the risk of jail, he often carries the investigation deeper.

A "loaded" briefcase can be left behind during a job interview or tour, phone lines can be equipped with automatic records. If applicable, shotgun mics can be aimed at crucial windows.

A brown bag job (burglary) can also be attempted with the aim of photographing everything possible, but NOT STEALING IT. If this were a real mission any sign of entry or items missing, would very likely cause massive changes in procedures designed to invalidate the missing information.

A complete company dossier would include:

- Name
- Address including those of other companies owned
- Telephone numbers
- Key employees and their personal statistics
- Owners
- Corporate officers
- Products or services
- Suppliers
- Buyers
- Competitors
- Profits
- Copy of Baron's and Standard and Poor's ratings
- Property owned
- Litigation
- Union or personnel problems
- Consultants hired
- Employee loyalty
- Growth rate (if any)
- Security
- Approachable problems of key employees (alcohol, low paid, drugs, gay, etc.)

A personal dossier is similar in many respects:

- Name
- Address
- Telephone
- Birthdate and place
- Education
- Job
- Family

SKIP TRACE FORM CONTINUED

SCHOOLS: Tel schools where children may be enrolled.

REGISTERED LETTER: Send to last address with a "Please forward." Return receipt requested w/ address where delivered. Send it back to "blind" PO box or mail drop.

CREDIT REPORT: Run new credit report. Follow up on any leads such as parents, references, stores where accounts are running.

UNIONS: Contact any trade unions subject may be a member of.

CLUBS: Contact any clubs subject may be a member of.

NEIGHBORHOOD MERCHANTS: Use reverse directory. Visit in person with story.

LAW ENFORCEMENT: Run NCIC or local checks.

LONG DISTANCE PHONE CALLS: Use "beat the operator" to attempt to find relatives or subject.

MUSICAL NAMES

It is quite possible to change one's identity and supporting documents (birth certificate, driver's licenses, SS number and so on) so completely there is no chance of a trace. This can actually be accomplished with a minimum of effort...

Barry Reid, owner of Eden Press, pioneered the system of locating a person who died as an infant, obtaining his/her birth certificate and assuming that identity. This worked very well (the TV show 60 Minutes interviewed Barry and went through the necessary steps to accomplish this feat) as governments did not cross reference birth-death certificates.

MANY DO EXACTLY THAT NOW AND PEOPLE HAVE BEEN BUSTED ATTEMPTING THIS!

Barry's first book, THE PAPER TRIP, described this system. Congress formed a committee and spent two years devising a system to stop this loophole. The government published a 2+ pound report on their study.

Barry's next book, THE PAPER TRIP II, told quite simply how to beat the updated safeguards proposed by the two year, taxpayer funded, study...

He now has updated even that book. His studies are a necessity for anyone concerned with identity switching from any viewpoint.....

EDEN PRESS
PO BOX 8410
Fountain Valley, Ca 92708

Society security number
Driver's license number
Vehicles owned
Property owned
Credit rating and history
Opinions of business associates and neighbors
Hobbies
Sexual habits
Recreational habits
Bars frequented
Profile of friends
Profile of enemies
Living within stated income?
Litigation
Previous addresses
Bad habits
Unusual mail
Magazines subscribed to
Clubs belonged to
Medical history
Traits observed

Either of these dossiers, plus anything else turned up in the course of an investigation IS the person, or the company. Anyone perusing such an intelligence file would come to know the subject better than his mother, or in the case of a business, better than any one employee does.

Don't kid yourself, this information is a real power. Businesses can be made or broken on far less intelligence than our theoretical agent has compiled. People can be manipulated, either consciously, or entirely without their knowledge.

Some professional jewel thieves operate in classy neighborhoods by simply hanging out at fancy stores or social gatherings and observing who is obviously quite well off. The next step is to drift outside and watch the target get into his car. Now the thief runs a quick make on the plate. He now has a name and home address of a potential victim.

The home is placed under surveillance for a few days to check out the security system (if any) and the habits of the occupants. I personally knew a very successful thief who followed this procedure and then implanted a phone tap. The bug gave him complete knowledge of when the target was going to some event and how long they would be away...

Simple and effective. Unfortunately his discrimination in selling the purloined goods was not on a par with his technique in securing them. He sold an FBI sting operation some very interesting Chinese art, gold coins and large diamonds...

An example of conscious manipulation was neatly accomplished by another acquaintance. He lead a ring that "removed" credit cards from the mail before they reached their intended subscriber. The follow-up trace letter was also borrowed. Then someone would run the card for a short period of time, buying goods that could be easily resold.

Suddenly someone made an error and used a card that was hot; the follow-up had not been intercepted and the card was listed as stolen. The runner was arrested, the credit

card owner was called and asked to press charges.

He agreed.

The leader obtained the card owner's phone number and called him explaining the error had occurred and they would like to make restitution as well as given the owner $1,000 for his trouble. All he had to do was tell the cops his sister had borrowed the card and let a friend use it. Sorry for the hassle...

The surprised "John" was outraged at the suggestion and hung up.

My acquaintance called him again the next night. Hung up and the owner [illegible] his number and why wouldn't he cooperate? Still no go.

The next morning brought a call at his office. John was now beginning to freak out. How did the caller get his home number? His office? He was now past outrage and would not help under any circumstance.

John had his phone disconnected, took a two week vacation, and moved to a new apartment.

Shortly after he returned to town he received a call in his new apartment on his unlisted phone in someone else's name, asking why he had moved and changed phones again?

John blew up, swearing at the mysterious caller. The rest of the conversation went something like this:

"I'm just trying to help you, the man who got arrested has a number of friends that would like to try and convince you physically. I'm trying to straighten everything out quietly and make you a profit."

"You son-of-a-bitch, I'm going to have the cops trace your next call."

"Okay, now listen jerk, look over to your left, see your Panasonic television sitting there by your picture of that blonde you used to date? I should take that television and break it over your fool head except I'd hate to get glass all over the manuscript on your desk."

Long silence.... "Uh, how can I get the money and what should I tell the police?"



SCM Office Supplies Group

Steno Notebook

Green Pittman Ruled
70 Sheets 6" x 9"
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F2R445572



22-02 120

TRUSTEES for Alaska Pounds

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for Charles Hamel from - Reloader -

Andy SVC advises Hamel out of Town

last couple of weeks. In Alaska -

345

725 Claimants

Bering Sea Fishermans Assn.

NU-COAT TECH LTD STS

VINCENT VITALE - RD

Anchorage Reading

- TEPOVICH, KENNELLY & STEPOVICH

MAKE STEP -

TED STEP -

MAKE A STEP -

CALL CHARLES KENNELLY

TRUSTEES

TAGS

BVK846
BFC232
BXS552
CDK236
CCM478
CDJ209
CCN462

BNP265
BNP278

F2R445574

3-24

10[32] Mass Surety TRUSTEES

TRASH-

11[am] = 3[30] @ [redacted] Demonstration

Hand ....

Quay St, Alexandria

P.O.B. 389.

F2R445575

[redacted]

Tel

(800)525 9190

F2R445576



Lapras Sunday-
788 1235 or 1437 145p—
1058— Arr Salt Lake City- 5e4p—

Fr 735 620p— Arch 1027—

1360 80

405
303
108

Delta



Alyeska FG's—

12590...	SATELLITE
12210	FEEDS
12250	TO GEOSTAR 1
12290	
12330	

153.200 C	FAIRBANKS
.050	
.350	PRUDHOE BAY
153.230	
451.275	451.700

953.550	
957.150	GLENNALLEN
6745.0	6765.0
6805.0	6885.0

464.975	
.875	
.525	
.375	VALDEZ
.325	
.225	
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VALDEZ

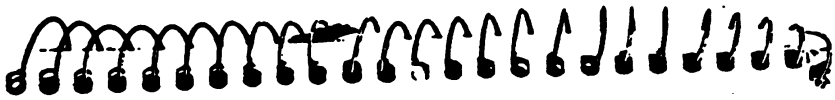
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BP 89-342 Deed
-336 Agreement & option | 79

97-565 D/Recon | 83
98-032 –

84
81
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Comp Dir. Comp '85 - no
NO ENTRY

BP 94-93
94 422 — 82

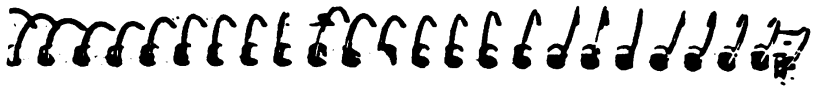
F2R445580

[redacted]

Lunch 4-9-1:40pm Cong Don Young
& Manuel Lujan Sec of Interior

5/89 mail order Catalog
POB 2000 c/o Bob K.

F2R445581



US DIST COURT -
Guid / Clem - MEG
MAGISTRATE

Alexandria County

LAND
Clos Wood Multi-family Res
101 Quincy St 16613 Sq'
Alex 22314

Purchased 3-10-76
113,000
447,840
560,840

ORI DEF 65/84
Pltf

CL012172 ILD Wood, Clos
+ KATHLEEN WOOD
WUTCHINSON ISL CLUB OWNS ASSOC. v. ETC
1-13-88
3-9-88 - Judgm for Plaintiff / CREDITOR | $9939.91+
@ 12% Per Ann
From 10/30/87
LIEN
+ COSTS

FICTITIOUS NAMES 9/9/88 Book/ Bk 24 Pg 64
93

FINANCING STATEMENT
FILE 32354 MISC
U867

F2R445582

REPORT OF INVESTIGATION
SPECIAL INVESTIGATIONS DIVISION

TO: WAYNE B. BLACK

FROM: RICK LUND

DATE: MARCH 30, 1990

RE: TRASH AT TRUSTEES FOR ALASKA

On March 24, 1990, Investigator Lund visited the dumpster in the rear of 725 Christianson Drive, Anchorage, Alaska. This building houses the office for Trustees for Alaska. (Note survey photographs taken March 22, 1990)

Lund collected 17 items from the dumpster which were initialed, dated and accompany this memorandum.

The names and telephone numbers will be added to the index.

RL:jl
427.15

THIS DOCUMENT IS ATTORNEY/CLIENT PRIVILEGE

TESTIMONY OF

DAVID RAMIREZ

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

OF THE UNITED STATES CONGRESS

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

2226 Rayburn House Office Building

Washington, D.C.

STATEMENT OF DAVID RAMIREZ

My name is David Ramirez. I am giving this statement freely and without coercion or threats or promises of anything of value.

I am currently employed at the Wackenhut Corporation in the Special Investigation Division ("SID") and my direct supervisor is Wayne Black. I have been employed with Wackenhut from November, 1990, to present. Prior to going to work for Wackenhut I was employed as an Executive Protection Officer with DWG Corporation based in Miami Beach, Florida. I was employed with DWG for four months. My duties included personal protection of the CEO of the corporation.

Immediately prior to going to work for DWG I was in the United States Marine Corps from 1985 to 1990. During my enlistment I was trained as an Intelligence Analyst and Signals and Voice Intelligence Interceptor. Being trained in these areas I was given Top Secret clearance with access to Special Compartmental Information sensitive to the government.

My duties with the Wackenhut Corporation include executive protection and undercover investigation. Rick Lund also utilized my experience and background to assist him in analyzing the possible high threat terrorist situations for Wackenhut's clients. This analysis was accomplished through the use of extensive research, analysis, and computer analysis.

I also provided assistance to Rick Lund with electronic

counter-measures, and electronic eavesdropping equipment. Mainly, I provided him support in computer equipment. Lund's knowledge of the computer software was utilized to set up the "Watch Dog" Program, which audited, and monitored computer usage of everyone who had access to the SID files. Lund had access to the maintenance program of the Watch Dog system which enabled him to change, delete or set up new passwords for accessibility and usage of each file, which included the billing files. Each computer system had unique programs according to the task assigned to that specific desk. The "Watch Dog" Program is a fail safe program. It would not enable any deletions or changes in the program from any outside link. The files in the system could be copied, renamed, deleted or retrieved by Rick Lund, who is the only person that had access to the maintenance program in the system.

Rick Lund told me that he purchased his electronic surveillance equipment through export companies. I have seen in Rick Lunds' possession at least four telephone "pen registers" in use and, in one case. I was involved in maintaining them. Pen registers are illegal for use in this country. When in use the pen register can audit telephone numbers dialed from and to a specific number, which also included the time, date and length of the conversation of each call. The calls were printed on a register tape.

Rick Lund and Janet Lago were in charge of the SID billing. Only Rick Lund had access to maintenance which involved securing all billings and monthly dumping into the system. (The term

"dumping" is used in the computer field when files are taken from a hard drive and copied onto floppy disks for backup and storing purposes.) Rick Lund was the only person that had access in dumping files. It is my belief that Lund designed the system in a manner that would insure that only he could retrieve the information if it became necessary to erase case files.

Although I had no personal involvement in CASE 427, regarding Charles Hamel, I became aware of it in August, 1991, when the Congressional letters were sent to Wackenhut. I knew from general information at the company, and from Gil Mugarra that Congress had requested all of the time records of the investigation, and that those records were being reviewed and edited for removal of other case information. I also was aware that Wayne Black was very concerned about the Congressional inquiry involving his actions and those of Rick Lund.

In October, 1991, I spoke to Gus Castillo about the matters regarding the Congressional investigation of Wackenhut. I told him that I was extremely worried about being terminated from my employment with Wackenhut because Black was becoming increasingly critical of my friendship with previous co-workers. In fact, as recently as Friday, my Wackenhut issued "beeper" was being monitored and calls intercepted. Gus told me about the Congressional investigation and, several weeks later, I talked to Billie Garde and then contacted the Congressional investigators about the information I have described in this statement.

This is not a comprehensive statement of all the detailed

improprieties at the Wackenhut Corporation, Special Investigation Divisions. I have not taken any documents from Wackenhut, nor provided any other information about any other cases to Congressional investigators.



DAVID RAMIREZ

State of Virginia, ss:

David Ramirez, being first sworn according to law, states that he has read the foregoing Affidavit by his subscribed, and the contents thereof are true to the best of his knowledge, information and belief.



DAVID RAMIREZ

Subscribed and sworn to before me this 3rd day of November, 1991.



Notary Public

My Commission Expires:
Jan. 31, 1993

MEMO

TO: FILE

FROM: WAYNE B. BLACK

DATE: MAY 18, 1990

RE: MEETING ON WITH INVESTIGATORS ON MAY 18, 1990

On May 18, 1990, I met with Investigators Contreras, Jacobson and Lund. Also present was Janet Lago. We reviewed the file and exhibits for presentation to Pat Wellington's upcoming during May 23rd in San Francisco. I reminded all present that the focus of the investigation was the person(s) stealing documents from Alyeska and not necessarily Hamel or Congressman Miller.

I expressed concern that we maintain the integrity of the investigation and confidentiality. I mentioned that it was our belief at this time that Hamel was using Miller's influence to enhance his position with Exxon. That is, he may possibly be extorting Exxon by using Miller and Miller's committee as a threat.

As our investigation progresses, hopefully we will have an opportunity to either disprove or prove Hamel's allegation that Miller is aware that Hamel's sources are stealing proprietary information from Alyeska.

WBB:jl
427.ff

THIS DOCUMENT IS ATTORNEY/CLIENT PRIVILEGE

WACKENHUT
SPECIAL INVESTIGATIONS DIVISION

CONFIDENTIAL

THE WACKENHUT CORPORATION
[illegible]
CORAL GABLES, FLORIDA 33146-1033
(305) 662-7383
FAX (305) 662-7382

TO: J. P. WELLINGTON

FROM: W. B. BLACK

DATE: MAY 23, 1990

RE: EXECUTIVE SUMMARY OF INVESTIGATION

On March 1, 1990, we initiated an investigation at your request to determine the scope of the problem involving theft of proprietary documents from the Alyeska Pipeline Service Company and identify those responsible. At that time, you suspected, but had no conclusive proof, that Alyeska employee Bob Scott had given proprietary information to Charles Hamel. In return, Hamel had given the information to The Wall Street Journal and other media.

RESULTS. We have been able to positively identify Bob Scott as one of Hamel's sources. There is the possibility that Scott may be violating federal law, that is, forwarding stolen material via the U. S. Mail from Alaska to Washington, D.C.

We have created The Ecolit Research Group which resulted in three Special Investigations Division investigators being in an undercover capacity with Charles Hamel. The results have been:

(a) The recovery of documents stolen from Alyeska.

(b) Admissions by Hamel regarding Scott and others, yet unidentified.

(c) The discovery that person(s) unknown inside the Alyeska legal department are supplying information and documents to Hamel or one of his other sources.

(d) Admissions by Hamel that he is doing what he is doing for personal gain only. Admission by Hamel that documents are stolen.

(e) We have been able to observe boxes of Alyeska documents in Hamel's possession in Washington alone.

INVESTIGATION IN PROGRESS. We continue to have weekly, almost daily, contact with Charles Hamel. Hamel plans to visit The Ecolit Group in Miami, followed by reciprocal visits to Washington and Alaska. Ongoing telephone toll analysis reveals sustained activity between Hamel and others involved. As new numbers develop subscriber information will be obtained.

INVESTIGATIVE PLAN. Our general plan is to proceed on the present course having continued contact with Hamel. As we gain his confidence, he continues to divulge information critical to Alyeska. Of great concern are Hamel's recent admissions regarding

his "source" inside Alyeska's legal department. Our ongoing investigative plan involves the following:

(a) Continue undercover activity with Hamel.

(b) Identify sources of stolen documents in the legal department of Alyeska.

(c) Identify Hamel's other sources.

(d) Test for leaks in corporate headquarters.

(e) Test for recording devices during board meetings or meetings about Hamel.

(f) Continue telephone toll analysis, charting activity by event.

How can Alyeska best respond to the information gained from this investigation? Our investigative results could be and should be used to stimulate additional activity, both undercover and administrative. You now know that with regard to Hamel, your legal department is not totally secure. Employee interviews and terminations could be initiated at the appropriate time. Additional document security measures should be taken immediately. Consideration of legal action, either civil, criminal or both should be considered.

THIS DOCUMENT IS ATTORNEY/CLIENT PRIVILEGE

We are concerned about Hamel's allegation that he and George Miller (D-California) are friends and that he feeds Miller information about Alyeska from stolen documents. At the same time, Hamel admits that his only goal is to be reimbursed by Exxon or Alyeska for monies he feels owed.

CONCLUSION. We feel Hamel is truthful with our undercover investigators when he repeats his purpose for release of documents to the media, the Alaska Attorney General's Office, the Department of Justice and even our research group. Hamel has never indicated that he is interested soley in providing information to a congressional committee to assist in any investigation. Likewise, we do not know if Congressman Miller or any member of his committee has requested Hamel or his sources to steal or otherwise obtain stolen documents from Alyeska. We are concerned that Hamel may be using his alleged relationship with Miller to extort or blackmail Alyeska or Exxon.

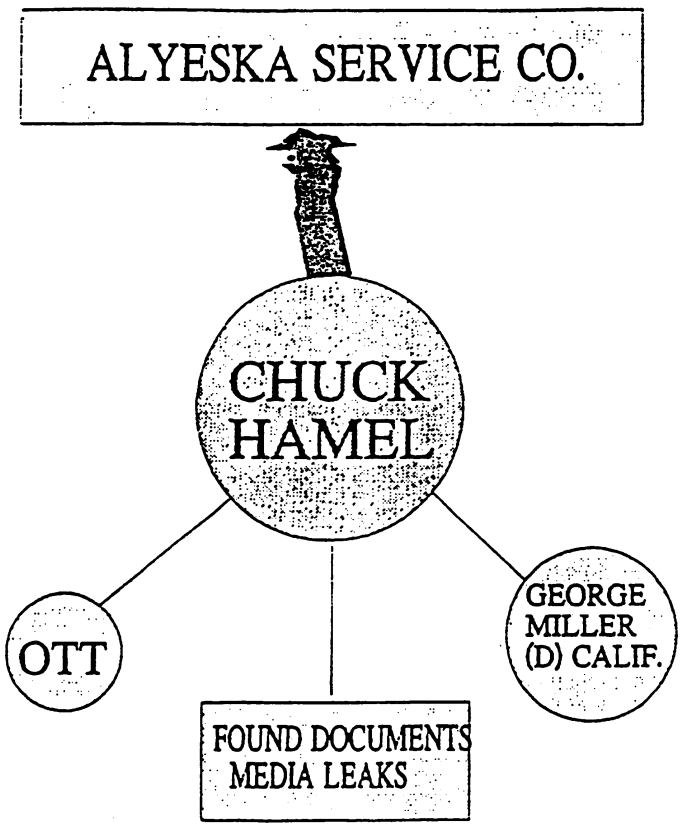
We have carefully reviewed the legal discussion found in Section 14 of this report dealing with the likelihood of unofficial

involvement on the part of Congressman George Miller. While the cursory legal opinion was necessary, we feel no action need to be taken at this time. Surely, future contact with Hamel will result in additional, more clarifying information about Congressman Miller. If and when Hamel even hints that he (Hamel) is assisting or acting as an agent of Miller, we will cease our undercover approach.

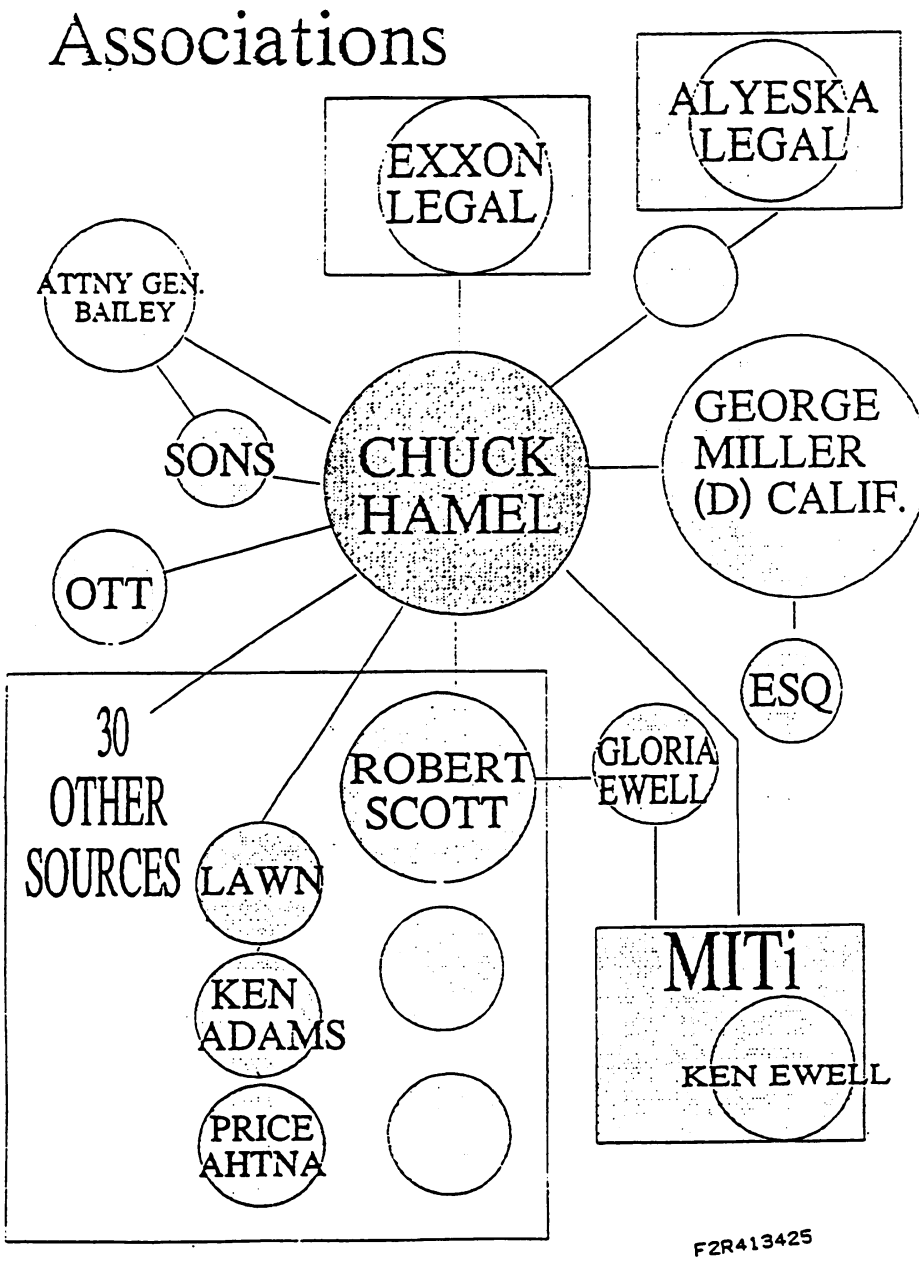
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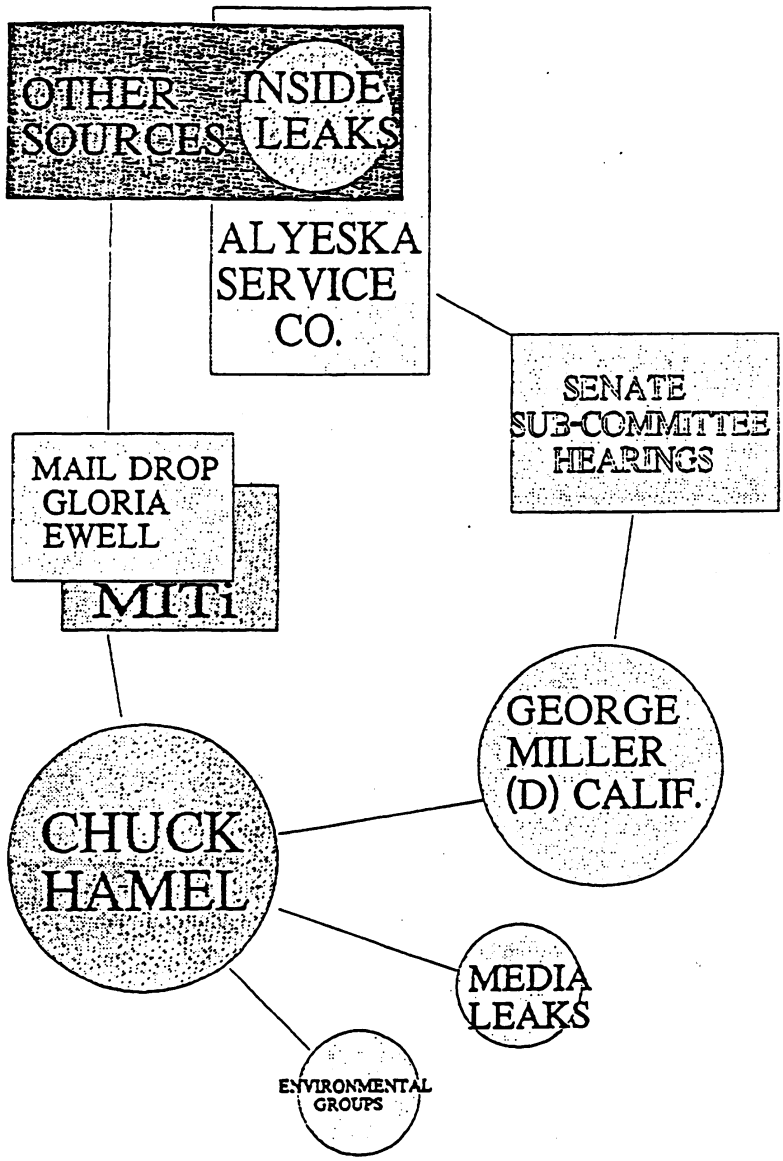
PRELIMINARY INFORMATION



F2R413424


Associations
EXXON LEGAL
ALYESKA LEGAL
ATTNY GEN. BAILEY
SONS
CHUCK HAMEL
GEORGE MILLER (D) CALIF.
OTT
ESQ
30 OTHER SOURCES
ROBERT SCOTT
GLORIA EWELL
LAWN
KEN ADAMS
PRICE AHTNA
MITi
KEN EWELL
F2R413425

INFORMATION FLOW



F2R413426

EXHIBIT LIST

1. THREE PIECES OF PAPER GIVEN TO INVESTIGATOR RICKI JACOBSON BY CHARLES HAMEL ON MARCH 24, 1990.

2. ITEMS TAKEN FROM THE TRASH OF BOB SCOTT BY INVESTIGATOR RICK LUND.

3. AN ENVELOPE FROM BOX 706, ZIP 99686, ADDRESSED TO MRS. GLORIA EWELL IN WASHINGTON, D.C. THIS ITEM WAS RECOVERED YB INVESTIGATOR WAYNE BLACK AFTER IT WAS DISCARDED BY CHARLES HAMEL.

4. PERTINENT PAPERWORK DISCARDED BY CHARLES HAMEL AND RECOVERED ON MAY 2, 1990, FROM THE TRASH OF HAMEL IN ALEXANDRIA, VIRGINIA BY INVESTIGATOR RICK LUND.

5. A FACSIMILE TRANSMISSION DATED AND RECEIVED ON MAY 14, 1990, FROM CHARLES HAMEL TO WAYNE JENKINS.

6. AN ALYESKA PIPELINE SERVICE COMPANY WORK REQUEST DATED APRIL 15, 1990 AND APRIL 17, 1990. THIS EXHIBIT IS A STOLEN ALYESKA DOCUMENT THAT WAS RECOVERED FROM THE HOME OF CHARLES HAMEL BY INVESTIGATORS BLACK AND LUND ON MAY 16, 1990.

7. AN ALYESKA CORPORATE OPERATIONS ADMINISTRATIVE EXCHANGE REPORT DATED MARCH 27, 1989. THIS DOCUMENT WAS RECOVERED FROM THE HOME OF CHARLES HAMEL BY INVESTIGATORS LUND AND BLACK ON MAY 16, 1990.

8. TWO ALYESKA STOLEN MESSAGES RECOVERED FROM THE HOME OF CHARLES HAMEL ON MAY 16, 1990, BY INVESTIGATORS LUND AND BLACK.

9. A LEGAL MEMORANDUM FROM CARLOS K. GOODMAN TO CHARLES C. IVIE. THIS DOCUMENT WAS GIVEN TO INVESTIGATOR WAYNE BLACK BY CHARLES HAMEL ON MAY 16, 1990.

10. A FACSIMILE TRANSMISSION DATED MAY 17, 1990, FROM CHARLES HAMEL TO WAYNE JENKINS.

11. A FACSIMILE DATED MAY 18, 1990, FROM CHARLES HAMEL TO WAYNE JENKINS. THIS IS A COPY OF THE WALL STREET JOURNAL EASTERN ADDITION DATED MAY 18, 1990, REGARDING ALYESKA.

RICHEY, MUNROE, FINE & GOODMAN, P.A.
ATTORNEYS AND COUNSELORS
3 [illegible] FINANCIAL CENTER
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TELEFAX 305 372 3668
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SAMUEL D ARMSTRONG
MICHAEL D ALLEN
ALAN S FINE
JONATHAN GOODMAN
ARIA M MUNROE
WILLIAM P RICHEY
JUAN J RODON SUED
ANDREA R TEITEL

PRIVILEGED ATTORNEY/CLIENT INFORMATION
PRIVILEGED WORK PRODUCT INFORMATION
CONFIDENTIAL & PERSONAL

May 22, 1990

Mr. J.P. Wellington
Director of Security
Alyeska Pipeline Service Co.
c/o Mr. Wayne Black
Wackenhut Corporation
Special Investigations Division
1500 San Remo Avenue
Coral Gables, FL 33146

Re: Alyeska Pipeline Service Co.
Investigation of Stolen Documents/

Dear Mr. Wellington:

The law firm of Richey, Munroe, Fine & Goodman, P.A. has been asked to provide a preliminary assessment concerning a possible investigation into allegations that a U.S. Congressman has been encouraging and/or requesting the theft of confidential attorney-client, trade secret and proprietary documents from the Alyeska Pipeline offices. In particular, we have been advised that Alyeska is considering an investigation which may use covert operatives who may assume different identities when dealing with the Congressman.

Our firm was first provided with some background information about the investigation on Thursday evening, May 17, 1990, when we met with Wayne Black. Based on the information provided to us by Wayne Black, we believe that an undercover investigation of these sensitive allegations is risky. Although Alyeska is more than justified in wanting to vigorously investigate these allegations, there are several significant, difficult issues underlying the proposed plan. We believe that neither Alyeska nor its agents

should approach the Congressman as part of an undercover investigation until these issues have been adequately researched and analyzed and until you make an informed policy judgment that the potential benefits are worth the risks and associated costs.

As explained later in this memorandum, pursuing an undercover operation against a Congressman in a matter which he may claim relates to a Congressional investigation may expose the company and its investigators to a claim that the federal obstruction of justice statutes are being violated. These statutes are extremely broad. Although Alyeska and its expert investigators might be able to tailor the proposed undercover operation so that it does not violate these expansive federal criminal statutes, the Congressman could easily raise the specter of a criminal violation. Regardless of the legitimate motivation underlying the proposed investigation, it will be exceedingly difficult to arrange an undercover investigation which could not be made to appear to be interfering with a Congressional investigation.

The problem arises because the proposed undercover investigation is a private operation. Making misrepresentations to a Congressman as part of an official law enforcement investigation is significantly different than making those misrepresentations as part of a purely private operation. Similarly, having an undercover operative make misleading statements to a private individual is distinct from making those identical misrepresentations to a Congressman who can claim he is pursuing a legislative investigation.

In lieu of a private investigation using undercover agents, you may want at a later time to present the allegations and your proposed plan to the FBI and request its assistance. We recognize that the FBI may be reluctant to look into the allegations. We also appreciate that the FBI bureaucracy is inherently inefficient --- which obviously interferes with an ability to monitor and supervise a streamlined undercover investigation. Permitting the FBI to supervise the undercover investigation also leads to a loss of control. Nevertheless, we believe that it is an option which should simultaneously be considered with the internal operation when the time is right.

Assuming the FBI is willing to investigate the allegations against the Congressman, Alyeska may well be able to persuade the FBI to use the same undercover operatives it was considering for the purely internal operation. As you may know, Mr. Wackenhut and Mr. Wayne Black have significant connections with the FBI. They both enjoy a good reputation with the FBI. Accordingly, their involvement might enhance the possibility of persuading the FBI to

investigate the allegations against the Congressman and to authorize an undercover operation.

We have been told that sensitive, confidential documents, including documents which are clearly marked as being encompassed by the attorney-client privilege, are being systematically stolen from your offices. The theft of these documents should be fully investigated, regardless of whether a U.S. Congressman has been encouraging, requesting or knowingly using these stolen documents.

We recognize that you and other company officials are properly outraged over the theft of confidential, privileged documents. This letter, however, will primarily focus on the allegations about the Congressman.

Before assessing the risks associated with a private undercover operation investigating a Congressman, a threshold issue must be determined: does the photocopying of documents and the distribution of them to the media and others constitute the crime of theft? Unlike a classic case of theft of property (e.g., actually taking money or tangible property), photocopying documents which Alyeska employees may have been entitled to read in the first place does not fall into the traditional notion of theft.

If the employee who is photocopying and leaking the documents is entitled to see them in the first place, then the employee or the Congressman might argue that no crime has been committed. The employee and the Congressman might argue that the employee was entitled to read the documents and talk about them (to his friends and colleagues) and that photocopying documents is not substantively different. Nevertheless, we believe that this argument will probably fail --- and that photocopying and distribution of proprietary, confidential documents would probably be a crime. Florida Statute §812.081 (Florida Trade Secrets Law) makes this type of conduct a crime. We have not researched the specific laws of Alaska, Washington D.C., Virginia, Maryland or other jurisdictions, however.

Before discussing the potential applicability of federal criminal statutes to the proposed covert operation, it is appropriate to discuss, in general terms, the nature of the allegations against the Congressman.

In order to demonstrate that the Congressman is acting improperly, you will need to show more than the mere receipt of stolen documents. Regardless of the substantive content of the stolen documents, the Congressman would not be acting illegally if he received stolen documents for the purpose of using them in an

official investigation. This conduct is immoral and may be unethical, but it is not illegal without more. The distinction between the simple receipt of stolen documents and the affirmative step of encouraging or requesting stolen documents is critical. You should understand this distinction at the outset.

Similar to a police officer or a prosecutor, a Congressman has investigatory powers. He and other committee members, along with their aides, are empowered to conduct investigations, hold hearings, take testimony, receive evidence and otherwise look into all sorts of allegations. A Congressman's power to participate in investigations is broad. Understanding the consequences flowing from a Congressman's power to conduct investigations will be made easier by comparing a congressional investigation to an investigation run by police or federal prosecutors.

If a police officer passively receives evidence which a private party (i.e., someone not working for law enforcement) has stolen, then the police officer is usually permitted to use the information as evidence. This evidence may even be introduced at trial. For example, if John Q. Citizen runs into a police station with a batch of documents and a kilo of cocaine in his arm and tells a narcotics detective that he stole the cocaine and documents from a drug dealer's house during a burglary, then the detective may keep the evidence. A prosecutor can then introduce the narcotics and documents into evidence at a trial. The mere fact that the police officer and the prosecutor know that the information was stolen does not render the materials inadmissible at trial, nor does it demonstrate that they have been acting improperly. This doctrine is sometimes known, albeit on an informal basis, as the "silver platter" doctrine.

If, on the other hand, a narcotics detective asks a citizen to break into a suspected drug dealer's house in order to obtain narcotics, documents and other evidence via theft, then the police officer would be acting improperly. Accordingly, the evidence would most likely be excludable at trial. Beyond that, the police officer would be subject to disciplinary sanctions and could be prosecuted for committing crimes such as conspiracy to commit burglary and theft, solicitation to commit burglary and theft and, perhaps, burglary and theft pursuant to the "principals" doctrine.

As you can well imagine, obtaining evidence that a police officer actively encouraged the theft of documents or other evidence would be difficult. Similarly, obtaining the critical evidence that a Congressman knowingly requested or encouraged the theft of documents from Alyeska would require a carefully planned and well-executed effort. Analysis of exactly which state and

federal criminal statutes he has violated needs to be undertaken as well.

The Congressman alleged to be involved in the use and possible encouragement of stolen documents is also an attorney. Consequently, he is also subject to disciplinary sanctions from the courts of the states where he has his license to practice law. If the Congressman's activities do not rise to the level of a crime, they may constitute violations of his ethical duties as an attorney.

Obtaining the evidence necessary to show that the Congressman did more than simply receive documents stolen from Alyeska is an inherently difficult task because you must insure that your investigators do not interfere with a Congressional investigation. The Congressman will react strongly if he learns that we have uncovered information proving, or suggesting, that he was involved in such criminal activity. His probable response will be to accuse the investigators of interfering with a Congressional investigation. He will no doubt allege that his receipt of stolen and privileged documents is part of a legitimate, important investigation serving the public interest. He will almost certainly launch a full scale attack against you to save himself from harm for his misconduct. It is essential, to counteract his self-serving attack on the investigation, that all communications with him be tape recorded and preserved for evidence. His actual words must be available rather than the word of investigators. He will claim they are lying for "big oil."

Before recording conversations, however, you must determine whether this type of electronic surveillance is legal. Although federal law permits a conversation to be recorded or otherwise electronically intercepted if one party to the conversation consents, the law of electronic surveillance varies among states. In Florida, for instance, it is illegal to record conversations without the consent of all parties, in the absence of a valid court order. In Georgia, on the other hand, one party consent is an exception to the electronic eavesdropping statute and is legal. We have been advised that Alyeska has already determined that Alaska law permits recordings and electronics intercepts with one party consent. Your ability to legally record and intercept conversations with the Congressman will depend on the location of the conversation.

It is our understanding that conversations with the Congressman might take place in Washington, D.C., Virginia and Maryland. Recording conversations with one party's consent is legal in the District of Columbia and Virginia. It is illegal in Maryland.

However, the lawyers in our office are not licensed to practice in Washington, D.C., Maryland or Virginia. We believe it is essential to obtain expert opinions on the propriety of recording and electronic surveillance from attorneys licensed to practice in those jurisdictions. With the authorization of Wayne Black, we have already taken steps to obtain these opinions. If you anticipate the need to record conversations in additional states, then we should also obtain opinions from attorneys licensed to practice in those states.

The logistics of operating an investigation involving electronic surveillance must be handled by someone familiar with electronic hardware and undercover investigations. Wayne Black and his staff are well-trained and very experienced in this area. We have worked with Mr. Black on sensitive investigations for many years. He and his staff are familiar with the proper handling of evidence and with the best methods available for undercover operations involving electronic eavesdropping. In addition, Mr. Black is familiar with court rules. He has testified in court dozens, if not hundreds, of times in his career. If the allegations against the Congressman are true and are reflected in recorded conversations, then Mr. Black and his staff will be able to obtain and preserve that evidence in a manner designed to ensure its admissibility at a trial or other proceeding should you want to use it for such purposes. This discussion, of course, assumes that you have analyzed the risks associated with performing a private investigation of a Congressman and have decided to proceed.

Assuming that the Congressman is encouraging or requesting that documents be stolen from Alyeska, then you might be able to use this information to successfully argue that the evidence (the stolen documents themselves) should be suppressed in any Congressional hearing (or any other type of legislative or judicial proceeding, for that matter). The mechanics and strategy required to persuade Congress or a judge to exclude the documents and not consider their contents are premature at this time. Nevertheless, the possibility of acquiring a congressional or judicial order excluding, suppressing or limiting the use of the stolen documents is one of the main potential benefits of an investigation (whether internal or in conjunction with the FBI).

Assuming that the Congressman is involved in more than moral and ethical improprieties, a successful investigation might lead to a criminal indictment against the Congressman and others who knowingly participated in the theft of privileged, confidential documents from Alyeska. Although it is too early to determine whether Alyeska would want to seek criminal charges against the Congressman if the investigation produced evidence that he was

encouraging theft of property, this matter may have to be carefully evaluated in the future.

We have been advised that a former executive who used to work in the oil business has been working with the Congressman. We have also been told that he publicly claims that he is owed several million dollars and that he will cease his involvement in distributing stolen documents if he is paid and if Alyeska improves its employee insurance benefits plan. If these allegations are true, then the individual might have violated the federal criminal statute prohibiting blackmail (18 U.S.C. §873). If the Congressman knowingly participated in the blackmail, then he might be criminally liable under 18 U.S.C. §877.

As briefly noted above, the federal obstruction of justice statutes are broad. They may well apply to the conduct which would be required by the proposed undercover investigation against the Congressman.

As a general matter, the federal obstruction of justice statutes apply to "official proceedings." The term "official proceeding" means, among other things, "a proceeding before the Congress." Because the proposed undercover investigation targets a Congressman who may claim he is involved with the use of stolen documents as part of a Congressional investigation, the obstruction of justice statutes must be considered.

The federal obstruction of justice statutes prevent someone from "engaging in misleading conduct toward another person" with the intent to:

- influence, delay, or prevent the testimony of any person in an official proceeding; or

- cause or induce any person to withhold testimony, or withhold a record, document or other object from an official proceeding; or

- hinder, delay or prevent the communication to a law enforcement officer of information relating to the possible commission of a federal offense.

Although Alyeska's proposed undercover investigation is obviously not designed to interfere with a Congressional investigation or to induce someone to withhold documents from Congress, it would be naive to believe that the Congressman or others would not accuse Alyeska of engaging in this type of prohibited conduct. Making false statements (i.e., assuming a cover identity) and

misleading the target (i.e., the Congressman) are inherent in any type of undercover operation. If the misleading information were part of an official FBI investigation, however, then there would not be a risk of possible criminal charges. On the other hand, a purely private investigation using undercover operatives could expose Alyeska to the possibility that allegations of criminal conduct for "misleading conduct" could be raised.

Assuming that the purely private investigation is successful and Alyeska determines that the Congressman is affirmatively encouraging the theft of privileged, proprietary and confidential documents, the Congressman will at some point learn of this. If, for example, Alyeska takes steps to exclude the evidence from a Congressional hearing, then the Congressman will learn about the investigation. At that point, Alyeska and its agents might be accused of violating the obstruction of justice statutes. Thus, the exposure to criminal charges might exist even if the operation were to be successful.

Although the United States and some states permit the recording of conversations with the consent of one party, these statutes typically deny protection where the electronic interception is for the purpose of committing a crime. The federal wire tapping statute, for example, permits "the reception and recording with the consent of one party or unless such communication is intercepted for the purpose of committing any criminal or tortious act in violation of the Constitution or the laws of the United States or of any state." Alyeska's ability to claim protection under these wire tapping statutes would undoubtedly be challenged by the Congressman, who would claim that Alyeska's purpose in recording the conversations was to violate the obstruction of justice statutes or to commit extortion.

In addition to being concerned about possible violations of the federal obstruction of justice statutes, you should also be aware that the proposed undercover operation might be challenged as a violation of the federal mail fraud and wire fraud statutes. As you may know, the federal mail fraud and wire fraud statutes are also incredibly broad. They have been used to criminalize what might otherwise be defined as sharp business or commercial practices. For purposes of the federal mail and wire fraud statutes, a scheme to deprive the public of the intangible right to honest services is encompassed by these statutes. Therefore, the Congressman might argue that Alyeska's undercover operation is part of a scheme to deprive the public of its right to his honest services as a Congressman investigating environmental issues.

Enlisting the assistance of the FBI is also problematic. In addition to losing control of the operation and generating the risk that the FBI-supervised operation would be inefficient, you cannot ignore the possibility that the FBI's receipt of these confidential documents might generate problems.

We do not know what documents have been stolen, nor do we know the type of information contained in those documents. Accordingly, it is difficult to provide a comprehensive assessment, even on a preliminary basis. Nevertheless, the following issues relating to the FBI's receipt of documents need to be considered:

1. Though there is no reason to believe that the documents will, if the documents which the FBI recovers during its investigation disclose, or tend to disclose, federal crimes (including criminal violations of the environmental laws), then the FBI might launch a criminal investigation of Alyeska and its officers and employees.

2. If the documents disclose, or tend to disclose, the existence of a federal crime, then federal law enforcement officers might serve Alyeska with subpoenas for related documents.

3. If the documents suggest the existence of a federal crime, then the FBI might begin interviewing employees and former employees.

4. If the FBI recovers privileged documents, such as attorney-client documents, then the federal government might later argue that Alyeska has waived its right to preserve the confidentiality of attorney-client documents by actively requesting FBI involvement in the case. We do not believe that this argument would be persuasive --- but it is one of many troublesome issues surrounding a private operation against the Congressman.

The public's perception of the Congressman's activities will also influence your ability to obtain benefits from a successful operation. The information in the documents will affect the perception: the more damaging the information, the less likely that Congress and the public will be offended by the theft of the documents. Though it is outrageous, the public may believe that the information in the documents should be disclosed anyway --- and that photocopying and distributing the information is actually a public service (and not a crime). Some members of Congress may also state this, at least publicly. Thus, a successful investiga-

tion --- even one supervised by the FBI --- may not produce any tangible benefits. Your cost-benefit analysis should include a recognition of this practical reality.

We have provided you with an initial assessment based upon limited information. We ask you to provide us with additional information concerning the allegations against the Congressman and other relevant background information. Naturally, our analysis of the proposed investigation might differ if additional information is provided. Furthermore, our evaluation would be more detailed and comprehensive if we had additional time in which to prepare one.

In light of the risks, we believe that additional research and analysis is necessary before you make a commitment to approve the use of covert operatives against a Congressman or before you refer the matter to the FBI.

We also suggest that you carefully study the prospect of using undercover operatives to investigate the former oil executive. The Congressman might allege that you are interfering with a Congressional investigation because you know that the former executive is an informant for the Congressman. The risks are not completely eliminated merely because the investigation stops short of dealing directly with a Congressman. If the Congressman learns that you have uncovered his source through the use of an undercover investigation, he may still allege a violation of the criminal obstruction of justice statutes.

We look forward to working with you and other Alyeska officials on this sensitive, important matter. We look forward to working with Mr. Black on this matter, as well. We regret that Alyeska has been the victim of criminal activity and encourage Alyeska to do an internal investigation, regardless of whether you decide to proceed with an investigation into allegations concerning the Congressman. Please feel free to call us at anytime.

Sincerely,

RICHEY, MUNROE, FINE & GOODMAN, P.A.

William E. Richey

Jonathan Goodman

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2. ITEMS TAKEN FROM THE TRASH OF BOB SCOTT BY INVESTIGATOR RICK LUND.

3. AN ENVELOPE FROM BOX 706, ZIP 99686, ADDRESSED TO MRS. GLORIA EWELL IN WASHINGTON, D.C. THIS ITEM WAS RECOVERED YB INVESTIGATOR WAYNE BLACK AFTER IT WAS DISCARDED BY CHARLES HAMEL.

4. PERTINENT PAPERWORK DISCARDED BY CHARLES HAMEL AND RECOVERED ON MAY 2, 1990, FROM THE TRASH OF HAMEL IN ALEXANDRIA, VIRGINIA BY INVESTIGATOR RICK LUND.

5. A FACSIMILE TRANSMISSION DATED AND RECEIVED ON MAY 14, 1990, FROM CHARLES HAMEL TO WAYNE JENKINS.

6. AN ALYESKA PIPELINE SERVICE COMPANY WORK REQUEST DATED APRIL 15, 1990 AND APRIL 17, 1990. THIS EXHIBIT IS A STOLEN ALYESKA DOCUMENT THAT WAS RECOVERED FROM THE HOME OF CHARLES HAMEL BY INVESTIGATORS BLACK AND LUND ON MAY 16, 1990.

7. AN ALYESKA CORPORATE OPERATIONS ADMINISTRATIVE EXCHANGE REPORT DATED MARCH 27, 1989. THIS DOCUMENT WAS RECOVERED FROM THE HOME OF CHARLES HAMEL BY INVESTIGATORS LUND AND BLACK ON MAY 16, 1990.

8. TWO ALYESKA STOLEN MESSAGES RECOVERED FROM THE HOME OF CHARLES HAMEL ON MAY 16, 1990, BY INVESTIGATORS LUND AND BLACK.

9. A LEGAL MEMORANDUM FROM CARLOS K. GOODMAN TO CHARLES C. IVIE. THIS DOCUMENT WAS GIVEN TO INVESTIGATOR WAYNE BLACK BY CHARLES HAMEL ON MAY 16, 1990.

10. A FACSIMILE TRANSMISSION DATED MAY 17, 1990, FROM CHARLES HAMEL TO WAYNE JENKINS.

11. A FACSIMILE DATED MAY 18, 1990, FROM CHARLES HAMEL TO WAYNE JENKINS. THIS IS A COPY OF THE WALL STREET JOURNAL EASTERN ADDITION DATED MAY 18, 1990, REGARDING ALYESKA.

F2R500C23

- Affect of Muldrow's only
  - not enough
  - must encourage field of docs

- If were able to give Matt Miller's goal is to entice them, then it might be sufficient if he only affect the docs.

- Hypothetical scenarios

662-7382 Rick Lund's fax
(at Underhill)

- ok to record in Alaska
  - were told that company already been advised that it's ok to record with one party consent in Alaska.

Docs

- Work Request, dated 4-15-90
- Memo, dated 3-29, 89, re:
  "Corporate Operation Administrative Exchange (COAX), March 27, 1989

→ request ability to get legal opinions from a DC + Virginia atty. re: abstract question of redistricting.

- from Inslee counsel

Memo:

- benefits of going after Amer
- downside of going after Miller

- if so, how do we join general)

→ what to vote on for

- def. w/o with legis. counsel

F2R500022

- But DC may have power to only authorise to monitor it on application to record.

+ - Bill will get an expert opinion from Vic. + D.C. counsel re: OK to record.

→ a Preliminary opinion re: Family of person investigation.

- closely monitored electronically daily basis)

- Legal basis for to handle & share property.

? Amity -

✓ - distinguish between receipt of city-client info and property info

✓ - distinction: how to [underlined] use of stolen documents (if urgent use)

✓ - Dan Sickle -

- [illegible] with Mary Joyce to have her [illegible]

F2R500024

- Hamill wants Miller to see
  [illegible]

  - [illegible] Miller
    can use the Montreal.

- [illegible] Miller to explain what
  his [illegible] recommends.

✓ - DNI [illegible] of going after the
  congressman

  - [illegible] of a crime [illegible] you
    would want to prove)

- Vogt probably want next Miller for
  [illegible] visits

✓ Wayne doesn't want to get himself into
  trouble with.

- there was a lot of litigation going
  on
  - [illegible] Miller why you have
    [illegible] look at [illegible] docs

F2R500026

Hamill told Layne that he gets up every morning + ~~tells his~~ asks himself how he can screw Alyeska.

-Hamill stayed in Hamill's house, before

** -Yesterday, Wayne + Rick Lund (computer guy) go to Hamill's home in D.C.
-old Alexandria, near Potomac

- Hamill later privileged docs from his electrician + allows Layne to see them + dictate from them

- memo to (name) June: in-house Alyeska counsel

- Apparently, Hamill has a solicit Alyeska's legal department.

- Hamill got Layne an internal legal division.

EGG369

- About 3 weeks ago, Lt + Richi go to DC for dinner with Hamill + his wife

- He takes them to a computer room, where he keeps his mail room

- he sees that SCOB's Re Box was on one of the envelopes

- Hamill takes them to a ~~reception~~ computer room and they pick up confidential documents.

- Hamill admits that docs. are stolen
- Hes giving docs to DOJ and Atty Gen of Alaska
- Atty says he has privileged w/ty-client docs

- wanted as privileged
~~from~~
~~Judith~~ inside + outside counsel

~~HH~~ - George Miller -- Congressman, Dem, out of California has been releasing some of the docs. ⟸ Commerce Intern: Hamill Committee

- He knows that the piece of Exxon tells people that Miller + Hamill are homosexual lovers.

- Hamill says that Miller did steal documents.

F2R5C0028

says publicly, that he won't settle until
Alyeska gives its employees a health plan

→ they just don't tell reporters

- he's calling Hamill several
times per day

→ and Hamill is calling him,
Wall St Journal, etc.

- Hamill has a toll-free 800 number

~~[illegible]~~

- Lacy is working on undercover company

↓

"The Frolic Group"

(female lieutenant agent)

- Sent Rick Jacobsen to an undisclosed
conference in Anchorage

- Rick runs up sitting next to Hamill
on the plane coming back

↓

- told him he has an
allergic of bread products
- he gets hives if he
eats bread.

0335

- Federal Marine Mammal Protection Act

- Alaska state law

- Company's disclosure laws
  → what is proprietary, etc.

- Charlie Hamill is advising does regularly
- Hamill's attorneys are trying to settle

- Hamill lives in DC, but owns place on the North Slope

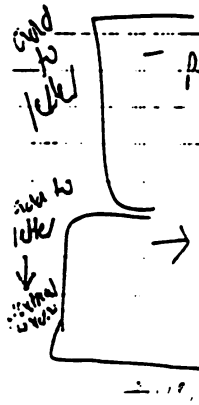
- Hamill's wife used to be Alyeska's attorney

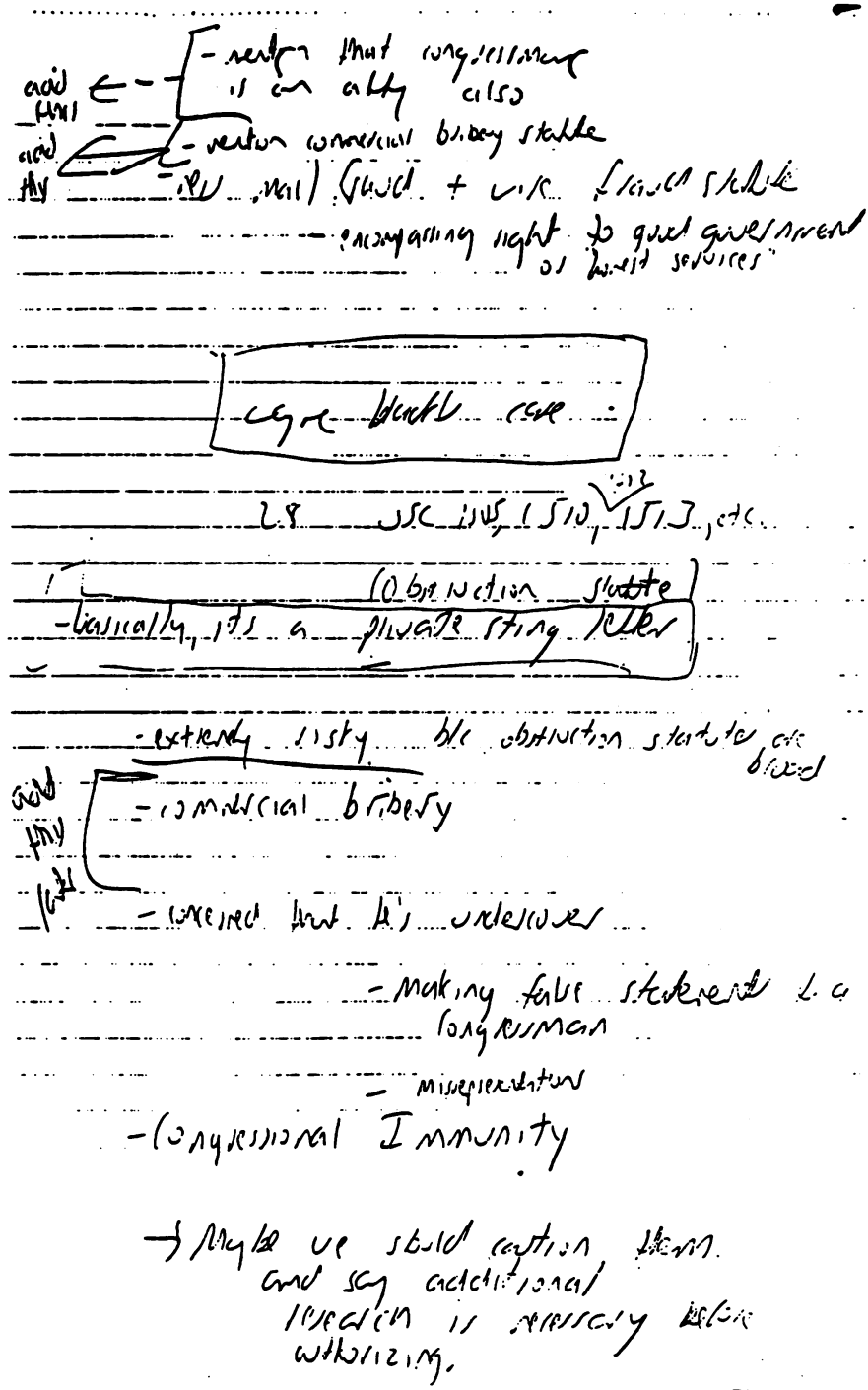
- As a matter of strategy Alyeska does not want to have the conflict issue

- Bob Scott
  - subject
  - a subcontracted engineer (but still employed by Alyeska)
  - one of self-disclosures appeared in the Wall St Journal
  - he's not about the health plan

→ send Hamill ... Bill to bill he

F2R500030





F2R500032

→ but we have not checked
possible that it might not be
a theft.

→ Issue: Is the person entitled to
have access to the disc at
this place?

→ Issue: Is there a crime to
simply tell someone about
a document which person has a
right to read in the
first place.

Fla Stat 812.081
- trade secrets
- a crime

→ Does Alaska have a
similar statute?

- Florida's extortion statute
→ Does Alaska have a
similar statute?

Ask: if FBI moved docs and we ask them to remove docs and docs contain attny-client docs, then FBI might argue it's a waiver

Waiver to privilege - not to work product

and we can't go all after disclosure - federal attny-client

Ask: if docs disclose federal attny-client then FBI might have a right to see docs

→ DOJ tells DOJ other law agency can subpoena the records we're seeing docs after seeing docs there

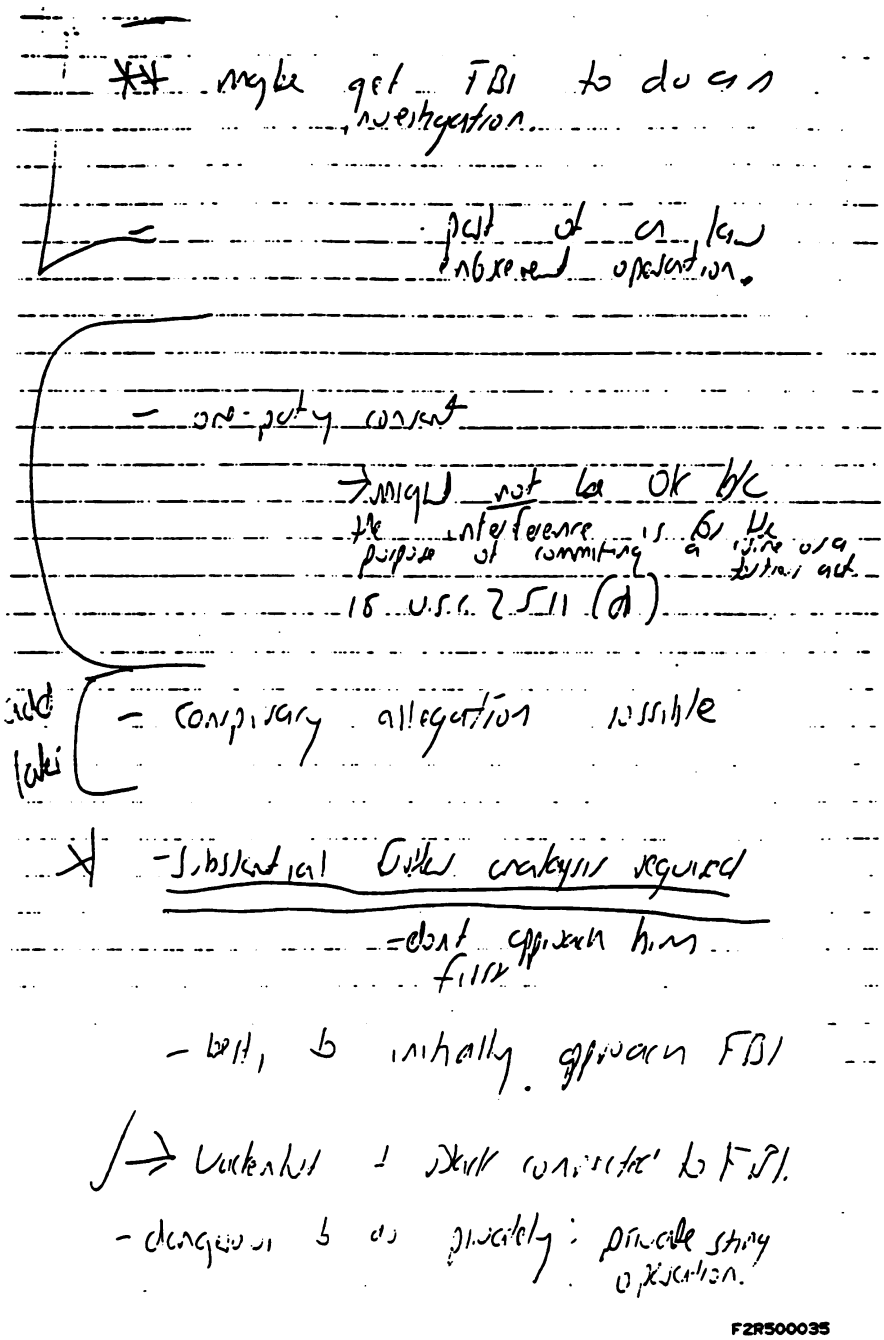
Ask: if you're going to see originals are you going to see docs at FBI's accurate?

→ is photocopying a document a part?

Are they taking actual docs?
→ DOJ are they retaining copies

Concept: If we are claiming Brad Aksyn

2R500034



F2R500035

18 USC 872, Federal extortion

- likely on the part of the

[illegible]

- 15 USC 1951 (Hobbs Act)

- likely can and applied

- mail fraud statute

- might apply to [illegible]

- it might also apply to us

Special Services

As of 01Mar90 the following changes are implemented

CNA	50.00
Address > Telephone Number	90.00
Non-Pub Name > Address	60.00
Name > Non-Pub Number	175.00
60 Days of Posted Toll Records	50.00 Verbal, no date & times
Hard Copy of Toll Records	145.00 AT&T or GTE
US Sprint	95.00 Verbal
Mexican Toll Records	175.00
Cable & Pair	250.00
~~NCIC~~	~~85.00~~
Canadian Criminal	120.00
Military Criminal	175.00 verbal
Credit Card Records	85.00 60 to 90 days posted activity
Utility Records	85.00

Services are Nationwide

TO: **PAT WELLINGTON**

FROM: **WAYNE B. BLACK**

DATE: **MARCH 7, 1990**

RE: **WHISTLEBLOWER**

I have done some limited research with regard to both State and Federal Laws pertaining to the Whistleblower Protection Act.

Under your State Law, you would have to have a disclosure to a public agency or a public body, before the whistleblower is protected from termination by the act. Under Federal Law it would be disclosure of the information to anyone, which is considered protected.

However, both State and Federal Laws would prohibit someone from disclosing information which is protected from disclosure by some other law or provision. There may be a secrecy provision which would prevent an employee from disclosing proprietary information. If a company has such a provision, the whistleblower would not be protected if he violates the non-disclosure law or employment agreement by releasing that information to a non-governmental agency.

If the released information is considered protected under other State Laws, not subject to disclosure, then that would constitute an exception to the Whistleblower Protection Act. The law in your state requires that the information be disclosed to a public body. The Federal Law does not. Under Federal Law, it doesn't make a difference who the information is disclosed to. It is the disclosure itself which is the protected activity. That is, if the disclosure itself is to a public agency.

WBB:saa

(B)

REPORT OF INVESTIGATION
SPECIAL INVESTIGATIONS DIVISION

TO: PAT WELLINGTON

FROM: RICK LUND
GARY CREP

DATE: APRIL 23, 1990

RE: UNDERCOVER INVESTIGATION VALDEZ, ALASKA

SUNDAY, APRIL 1, 1990, Investigators Lund and Crep depart Ft. Lauderdale for Anchorage, Alaska. Investigators are equipped with corporate brochures and flyers for business doing ecological research and studying the impact of the Valdez oil spill on the ecology. The business is doing research to force major oil companies through litigation to comply with adequate measures to protect the environment in new areas of exploration. This cover is backed up by a store front business operating in Miami.

MONDAY, APRIL 2, 1990: Lund and Crep arrive in Anchorage. From Anchorage, Crep transmits a copy of the flyer to the Valdez Vanguard to meet the deadline for placing a classified ad in the paper coming out on the 4th of April. In the afternoon Lund and Crep depart Anchorage for Valdez.

Upon settling into Valdez, Lund and Crep tour the city for familiarization purposes. A facsimile is received from the

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undercover office at the hotel fax fortifying the cover being undertaken.

TUESDAY, APRIL 3, 1990: Lund and Crep separate for the day. Lund remains in the room suites for the purposes of setting the undercover recording systems in Crep's room for meetings. This room was wired with a low light monogrome camera concealed in a hotel article allowing full view of all persons entering the room. Wires were run between the two rooms to allow for audio/video/telephone traffic from this room. The equipment in Lund's room was set up to appear as home video equipment being charged or for replaying at the end of a busy day.

Crep departed the hotel and met at the Valdez Vanguard, the employee took the order over a fax for the classified ad and paid for same. He was assured that the ad would appear the following day in the newspaper.

From there Crep travelled to the Valdez Chamber of Commerce and spoke at length with two employees about Valdez in general, the relationship between Alyeska and the local community as well as general information about the city. These employees prepared Crep concerning the general attitude of the town's people towards the pipeline which is a major source of employment and income for many

of its residents. They also prepared investigators with background on the extent of alcohol and drug problems that exist both in the community and on the pipeline operation. This was attributed to the work schedules, high pay, and the lack of extensive activities particularly during winter months where an employee may work for two weeks on a slopes and return home with a large pay check which is subsequently spent on intoxicants during his off time. This was perceived to be a considerable problem.

Lund and Crep had lunch at a restaurant across from the Harbor called Pizza Place which had an adjoining club.

That afternoon after Lund completed technical preparations, investigators visited the bar adjacent to the restaurant which was apparently a lounge frequented by Hazelwood, the Captain from Exxon, on many of his visits to town. Immediately upon sitting at the bar investigators were questioned by the bartender as to what they were doing in town. After talking with the bartender for a period of time it was learned that he also was from Florida and took an immediate liking to the investigators. (A) to have the opportunity to talk about something other than local gossip and (B) to attempt to find out more about their intentions. The bartender spent a couple of hours talking with investigators about general background on Valdez, about the businesses in town, and about

several of the patrons in the lounge. He is quick to introduce his new acquaintances to other patrons as being from Florida. Upon leaving the lounge this bartender offered his assistance to both investigators concerning any background on individuals or needing any help around town which was accepted.

Investigators subsequently travelled to a restaurant/club recommended by the bartender named the Pipeline Club. There the investigators dined, but met no new individuals other than the waitress at the table.

Investigators also received a second fax from the undercover office in Miami.

Both investigators briefed the office concerning the findings for the day.

WEDNESDAY, APRIL 4, 1990: Inclement weather sets in Valdez for the entire day. For the next 3 days Valdez is socked in with a snowstorm dumping approximately 10 inches of snow on the ground and causing generally a restriction against unnecessary movement outdoors by people in town.

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Copy of Valdez Vanguard (enclosed in file) was obtained with the classified ad run asking for interviewees.

Lund and Crep visited various public establishments with bulletin boards and posted notices on same.

Lund and Crep obtained tag numbers from the house believed to be that of Robert Scott's (houses are snowed in with 12 to 15 foot snow drifts in front of the residences. It is impossible to see street names or house numbers other than by a process of elimination which when done discretely took some period of time.) These tags were from a 1 light blue Plymouth Horizon and a large white with green stripe Explorer Recreational Vehicle. See license and registration information attached with case file.

Investigators drove to the Alyeska pipeline terminal, but were unable to see much due to inclement weather conditions. Investigators returned to the hotel suite the remainder of the afternoon and received no telephone calls as a result of the ads or notices.

In the evening at approximately 6:30 p.m. the Explorer Van was located in the parking of the Sugarloaf Restaurant Lounge. Upon

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investigators entering it was discovered that Scott was attending a meeting being conducted by Merrill Lynch at this restaurant. Investigators took up a position in the bar where the subjects vehicle could be observed as well as entrance into meeting room. Approximately 1 hour into the meeting Scott exited the meeting room to go to the restroom. Upon exiting he lingered in the bar to smoke a cigarette which apparently was not permitted in the meeting room. At that time Lund spoke greetings with Scott who appeared cordial, but not interested in making small talk. After finishing half his cigarette he returned to the meeting. At approximately 10:00 p.m. Scott and a woman (believed to be his wife) described as being well kept, early to mid 40's, approximately 5'2", with dark hair and medium built of either Eskimo or Eurasian decent, travelled in the Explorer Van to the Pizza Plaza Restaurant where they had dinner at a table for two. Investigators were seated at a table across from the subject but a petition prevented conversation for being overheard. After the subjects completed their dinner they returned to their residence. Investigators then returned to the Club Bar where they hung out in an attempt to meet new employees. The friendly bartender is working this shift. He identifies himself on this evening as Bob Swift. The evening is concluded with no further events.

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THURSDAY, APRIL 5, 1990: the inclement weather still exist.

Investigators collect garbage from the front of Scott's residence which was subsequently sorted and found to have no material of value to the investigators. It was noted this bag was unusually light for anybody to be living in the residence.

After driving the city for familiarization and to attempt to locate the Plymouth Horizon (it was not located) investigators travelled to the terminal where they drove through both of the parking lots to locate any of the vehicles previously noticed. First parking lot travelled through was off the roadway where the investigators travelled through an unattended gate where there were approximately 20 vehicles parked none of which were Scott's. Investigators then exited and continued to the entrance of the pipeline terminal where additional parking was located and subsequently the Explorer Van was located in the parking. Weather conditions and visibility were poor again on this date. However, Investigator Crep was able to place approximately 10 flyers on the windshields of vehicles in the terminal parking lot. The specific purpose of this exercise was to specifically offer an avenue for Scott to take if he chose and in addition to that so as not to create the impression that he is being singled out. Investigators placed the remaining flyers on vehicles adjacent to his. Investigators departed the area and

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returned to their hotel suite to await any possible contact as a result of placing flyers. No calls or messages were received. During this time Investigators Lund and Crep created a chronology toll call analysis based off of preliminary reports submitted by Lund on Hamel's telephone traffic. The telephone analysis revealed an extensive amount of communication taken place between Hamel, Scott and Lawn previously identified in investigative reports. A graphic presentation of this analysis will be prepared upon return. However, the significance was not lost during the informal analysis in Valdez because it appeared that during the one month period, Hamel spoke with Scott on an average of 3 times a week at great length anywhere between 30 to 60 minutes a time. Occasionally, he would hang up and speak with Lawn then called Scott back. Generally there would be newspaper contacts surrounding these telephone calls. Hamel regularly speaks with these 2 individuals in Valdez with an equal mix of calls to the Anchorage Daily News. Based off this analysis it was decided that it was best not to attempt a direct approach to Scott based off of the closeness of their communications.

Approximately, 6:00 p.m. investigators checked by Scott's residence and find that he returned straight from work to home on this date. He does not come out.

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Investigators travel to the Pipeline Club where they have dinner and strike no new acquaintances. Investigators check the remaining two bars in town. 1) The Glacier and 2) The Club Bar. No new significant information is developed on this evening other than being seen and developing small talk relationships with people in these lounges.

FRIDAY, APRIL 6, 1990: Lund and Crep circulate through the town and meet various people at business and in making small talk find that the people are rather inquisitive and quite direct about their presence in Valdez.

Investigators conduct preliminary courthouse research on the official records index through the years 79 through 82. The research is not concluded due to the court schedule on this day requiring the office to be closed while court is in session. Investigators return to the hotel suite where there are no messages or no calls as a result of the classified ad or notices posted around town.

Contact with the office by investigators revealed that as a result of the previous days activities in placing flyers, Charles Hamel contacted the Ecolit office in Miami attempting to speak with an

undercover investigator that he met on a return flight out of Anchorage (previously reported). Lund was advised that Hamel had been immediately notified allegedly by several calls from his "sources" in the terminal who informed him of the researchers presence in Valdez. His recognizing the company name prompted him to call and open a dialogue with investigators in Miami.

At the end of this day with no new contacts in Valdez it is apparent that the majority of notice being taken in investigators is in direct and distant as opposed to any direct contacts locally.

Investigators canvas the neighborhood and find that Scott returned directly home from work on this day.

Dinner was at Pizza Place Restaurant and subsequent appearance in the Club Bar on this evening revealed no new acquaintances or visits.

SATURDAY, APRIL 7, 1990: investigators canvas the town observing general activities and watching for an opportunity to meet Scott or any relative of his during the day. The results were negative investigators spent the remaining afternoon in the hotel. There were no calls on this date.

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In the evening the investigators had dinner in the Pipeline Club and were joined by the bartender from the Club Bar, Bob Swift. While having dinner with Swift the investigators were introduced to the bar manager and other employees as acquaintances.

On this evening a well publicized social event sponsored by Alyeska took place at the Civic Center. This was a spring time dance where Alyeska brought in a band from out of town for their employees and contractors. Newspaper advertisements and television ads were run during the previous week advertising the event. However, upon attempting to gain entry to the dance investigators were turned away since they were not employees or contractor employees.

Investigators remained in the parking area after departing the Civic Center and placed the remaining notices on vehicles in the parking lot attempting to stimulate additional interest in interviews.

Upon leaving the Civic Center investigators checked the remaining two lounges both the Glacier Bar and the Club Bar with no new activity or contacts to report.

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(On this evening the license tag was obtained also from Swift's Blazer, results of which accompany this report)

SUNDAY, APRIL 8, 1990: investigators make a cursory drive through the city and remain at the hotel during the day with no contacts or calls. Scott was found at his residence working outside on this day.

Investigator Crep attended a social event at the Club Bar while stood by awaiting potential interview calls with negative results. Investigator Crep at the Club Bar met a paralegal who is employed with the District Attorney's Office in Valdez. This employee seemed helpful in providing background information on people within the city, particularly within the police department, etc. It is believed that this woman may be contacted in the future for assistance indirectly related to the research being conducted in town.

Investigators dined at the Pipeline Club on this evening in the presence of other oil executives who are identified primarily due to their ostentatious manner letting employees know they were from Texas. There were 2 groups of apparent oil executives and a 3rd party noted to be a white male sitting adjacent to all tables with an earshot who appeared to be paying attention to the conversations

taking place unknown to all parties. The subject was sitting immediately adjacent to Lund and Crep's table and was also attempting to overhear conversations taking place. The subject was noted because he lingered at his table after dinner an unduly long period of time and was unable to conceal his interest in overhearing conversations and generally overplayed his being nonchalant. The subject left prior to Lund and Crep and although was familiar to pipeline employees was identified as not being a local from Valdez.

Investigators checked by the Glacier and Club Bar and Scott's residence where he was found at home. No new contacts other than general were made on this date.

MONDAY, APRIL 9, 1990: telephone contact with the office provided a briefing on the progress to date. Additionally, investigators confirmed the registration on Swift's vehicle as being his. (See attached)

Investigators collect one large bag of trash from the front of Scott's residence. After sorting the trash several items of general interest were collected and accompany the case file. It is noted that several of these items will require reconstruction upon return to Miami and generally relate to his financial obligations.

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Investigators do discover one item of interest that being Scott list himself as an owner of the Alyeska Travel and Recreation Company, c/o P. O. Box 703, Valdez, Alaska. Some of the correspondence is apparent that Scott is attempting to have companies sent him free samples of products through this business.

Lund and Crep complete courthouse research of the official records index and state corporate records of the following results. Hamel has no listing in the directory indirect index, nor is Alyeska Travel and Recreation Company listed as a corporation or d/b/a in the ORI's. Several items on property relating to Scott's home were copied and accompany this case file. It is noted that Scott purchased his property from Alyeska pipeline Company under terms and conditions which may be useful during the future investigation.

Upon completing research at the courthouse investigators visit the City Administration Building in Valdez, where it is determined that Alyeska Travel and Recreation have occupation license which was obtained in May of 1989 as a mail order company. Investigators did not request documentation at this time, but rather inquire about all businesses with the name Alyeska in Valdez. Bob K. Scott was listed as the owner with a P. O. Box as the listing address.

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In preparation for travel anticipated on April 10th, coupled with the fact that the housekeeping people are becoming inquisitive in Crep's room the recording and camera equipment is broken down and repacked in preparation for travel. There are no calls to investigators on this date.

Lund and Crep check the residence of Scott after work and find that he is at the residence and remains there for the day. Lund and Crep travel to the Pipeline, Glacier and Club bars visiting all, however, met no new employees.

TUESDAY, APRIL 10, 1990: Investigator Crep meets with Bob Swift at the Club Lounge and informs him that investigators are departing to return to Florida. Swift at that time offers to assist investigators as an acquaintance in town. While Crep is meeting with Swift, Lund remained in the hotel suites to prevent the investigators' rooms from being searched by inquisitive housekeeping personal.

At approximately 2:00 p.m. investigators check out and return to the Valdez Airport for a late afternoon flight to Anchorage.

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WEDNESDAY, APRIL 11, 1990: investigators return to Ft. Lauderdale.

Investigation to continue...

RL/jl
427.E

Encls.

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THE ECOLIT GROUP

Planet Management Research

May 17, 1990

Ken Ewell, CEO
Management Information Technologies, Inc.
4450 MacArthur Blvd., N.W., Suite 7B
Washington, DC 20007

Dear Ken:

We enjoyed meeting with Charles Hamel, Richard and you yesterday regarding your software. I would like to propose the following:

Please consider providing the software to us for use and demonstration through our contacts in the legal community in South Florida and various parts in the United States. In return, we will critique the software as it applies to being friendly to paralegals and lawyers. When the software becomes the catalyst in a win in one of our cases, we will reimburse you for the costs. In the meantime, you would have our feedback as to how the software works.

Thanks again for the visit and demonstration and for your consideration of this proposal.

Sincerely,

Wayne Jenkins, Ph.D.
Director of Research

WJ/cwt

cc: Charles Hamel

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F2R445203

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A

REPORT

TO

THE OWNERS COMMITTEE OF

ALYESKA PIPELINE SERVICE COMPANY

January 22, 1991

70

F2R503383

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I. Introduction

Paul, Hastings, Janofsky & Walker ("PHJ&W") has been retained by the TAPS Owners Committee ("OC") to conduct an investigation and render legal advice and a report respecting an investigation conducted by The Wackenhut Corporation ("Wackenhut").

PHJ&W was first contacted regarding this matter by Paul S. Bilgore, Esq. ("Bilgore"), Chairman of the Legal Subcommittee of the OC on October 9, 1990.

On October 10, 1990, Leonard S. Janofsky ("Janofsky"), Joel F. McIntyre ("McIntyre") and John P. Burns ("Burns") of PHJ&W met with Bilgore at the offices of PHJ&W located at 555 South Flower Street, Los Angeles, California. Bilgore explained in general terms the nature of the matter with respect to which PHJ&W had been retained. Bilgore also explained the legal structure of and relationship between the Trans-Alaska Pipeline System ("TAPS") and Alyeska Pipeline Service Company ("Alyeska"). Bilgore also provided information regarding the operation of TAPS and Alyeska and the persons involved in the Wackenhut investigation.

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Bilgore delivered to PHJ&W confidential memoranda describing actions taken at meetings held on September 25, 1990 in Denver, Colorado and October 3, 1990 in La Costa, California by and among certain employees of Alyeska and representatives of the OC.

On October 11, 1990, Janofsky, McIntyre and Burns met with Bilgore and representatives of the three major stockholders of Alyeska, Messrs. Fred G. Garibaldi ("Garibaldi"), Darrell G. Warner ("Warner") and William C. Rusnack ("Rusnack") at the offices of PHJ&W. These OC members and Bilgore substantially restated and expanded upon the facts and information provided to PHJ&W on October 10, 1990.

Janofsky emphasized the importance of preserving the attorney-client privilege with respect to all aspects of the relationship between PHJ&W and the OC and explained in detail the actions necessary to preserve and protect the attorney-client privilege.

On October 18, 1990, Janofsky, McIntyre and Burns met with Bilgore and the OC (only Garibaldi, Rusnack and Warner, accompanied by counsel E. Anne Pace attended) at PHJ&W's offices. PHJ&W outlined the actions it proposed to take in connection with its investigation and advised the OC regarding

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permissible communications with their parent company(ies) and counsel in order to preserve the attorney-client privilege.

II. Assignment of PHJ&W

A. Questions Presented By The OC To PHJ&W

The matters upon which PHJ&W's legal advice and services have been requested are as follows:

1. To determine the facts regarding the Wackenhut investigation.

2. To determine the appropriate disposition of materials collected, obtained, developed and produced during the Wackenhut investigation.

3. To determine whether Alyeska and/or its stockholders have been exposed to any criminal or civil liability as a consequence of the Wackenhut investigation.

4. To determine what action can, should or must be taken, and by whom, to eliminate or minimize such exposure, if any.

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B. PHJ&W Has Not Been Requested By The OC To Review Alyeska's Internal Controls To Determine If Changes Are Required.

III. Actions Taken By PHJ&W

In furtherance of its assignment from the OC, PHJ&W undertook the following actions:

A. Interviews

PHJ&W interviewed the following persons regarding the Wackenhut investigation:

1. Alan B. Bernstein
2. Paul S. Bilgore, Esq.
3. Wayne B. Black
4. Adrian Caputi
5. Steven Dietrich
6. Fred G. Garibaldi

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7. Jonathan Goodman, Esq. of
   Richey, Munroe, Fine & Goodman, P.A.
   outside counsel retained by Alyeska
8. James P. Hermiller
9. Roger Iverson
10. Peter W. James, Esq. of
    Baker & Hostetler, McCutchen Black
    outside counsel retained by Alyeska
11. Rick Lund
12. Sheree Rich
13. William L. Richey, Esq. of
    Richey, Munroe, Fine & Goodman, P.A.
    outside counsel retained by Alyeska
14. William C. Rusnack
15. Alfred T. Smith, Esq.
16. Lon R. Trotter, Esq.
17. Darrell G. Warner
18. J. Patrick Wellington

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B. Videotapes and Audio Tapes

PHJ&W reviewed a total of 8 videotapes (approximately 11.5 hours running time) and 11 audio tapes (approximately 15 hours running time) made by Wackenhut during the course of its investigation.

C. Written Materials

PHJ&W reviewed such written reports, memoranda and other materials produced by Wackenhut during the course of its investigation as were furnished to PHJ&W by Alyeska and Wackenhut and which were represented by Alyeska and Wackenhut to be all of such materials.

D. Wackenhut Materials

PHJ&W reviewed files, tapes and other materials in the possession of Wackenhut which were represented to PHJ&W to be all of such materials.

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E. Legal Research and Analysis

PHJ&W conducted extensive legal research and analysis regarding possible criminal and civil actions that could arise out of or be based upon the Wackenhut investigation. PHJ&W also reviewed as hereinafter set forth allegations made by Hamel regarding Alyeska and the stockholders of Alyeska which might give rise to legal obligations.

IV. Summary of Facts

In considering the Summary of Facts set forth below, those facts should not be treated as the equivalent of findings of fact that might be made by a court after a trial on the merits. In conducting its investigation, and to preserve the confidentiality thereof, PHJ&W refrained from interviewing persons with relevant information such as Hamel, Scott, Ewell of MITI and others.

In developing this Report, PHJ&W has reviewed the applicable law and further, has prepared the Summary of Facts herein from interviews conducted and materials provided within the scope and protection of the attorney-client and attorney work product privileges and with respect to the latter contains the mental impressions, opinions, conclusions and legal theories of PHJ&W based on such

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interviews and materials as well as PHJ&W's review, mental impressions, opinions, conclusions and evaluation of and drawn from audio and video tapes, written reports, memoranda and other materials obtained by or produced to PHJ&W during the investigation discussed below. All of such interviews, PHJ&W's mental impressions, etc. drawn from audio tapes and videotapes, PHJ&W's partial transcription(s) of audio tapes and videotapes together with such audio tapes and videotapes 1/, reports and PHJ&W's mental impressions, etc. drawn therefrom, memoranda and PHJ&W's mental impressions, etc. drawn therefrom and other materials are hereby expressly incorporated in this Report and by this reference made a part hereof.

A. Facts Prompting the Wackenhut Investigation

The subject of leaks within Alyeska had been a matter of concern for some time. J. Patrick Wellington ("Wellington") conducted investigations of leaks during 1987 and 1988, most actively at the time that a hand-drawn diagram of Alyeska's Valdez ballast water treatment system was leaked to Trustees for Alaska ("Trustees"). Wellington caused a handwriting analysis to be made regarding

1/ Audio tapes and videotapes made pursuant to legal advice from Richey, Munroe, Fine & Goodman, P.A., outside counsel retained by Alyeska.

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Alyeska pipeline technician Robert Kelly Scott ("Scott"). That handwriting analysis, although not conclusive, suggested Scott as a possible source of the leaked document. An earlier review of Alyeska's outgoing telephone traffic had also suggested Scott as a possible source of leaked material.

Although not believed by Alyeska personnel to be related to the leaking of documents, in 1989 a box of documents relating to the Exxon Valdez oil spill litigation disappeared from offices at Alyeska being used by personnel from Gibson, Dunn & Crutcher ("GD&C"). Alyeska General Counsel Alfred T. Smith ("Smith") conducted an inquiry into this disappearance and concluded that the box of documents (which was never found) had been discarded by a disgruntled janitorial contractor, whose services had been terminated on the day that the box of documents disappeared.

Charles F. Hamel ("Hamel") for some time had been pursuing Alyeska, and Exxon in particular, seeking to recover losses he sustained when crude oil he purchased (for brokering) from Exxon during 1983 or 1984 allegedly contained excessive water. Hamel was known to be well-connected with Alaska Attorney General Doug Bailey, his former personal counsel, and was frequently seen in the entourage of Congressman George Miller during hearings conducted by a Congressional Committee chaired by Miller in Alaska concerning the Exxon

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Valdez oil spill. Hamel was also believed to have a number of sources within Alyeska from whom he received confidential information and presumably stolen Alyeska documents, some of which had turned up in the local news media. Hamel's information had often been true or close enough to the truth to suggest that his claims of having sources within Alyeska were accurate.

During 1989 Alaska police authorities impounded a stolen vehicle, the trunk of which contained a box of Alyeska documents being returned to Hamel by the Environmental Protection Agency ("EPA"). Inquiry of the EPA disclosed that the documents in question had been received by the EPA from Hamel. The driver of the impounded vehicle, a burglar, was arrested. He was not interrogated by Alyeska. The owner of the vehicle was never identified.

Another event which may have contributed to the decision to commence an investigation into leaks was the broadcast on January 30, 1990 of an episode of the British television program "The Scottish Eye"; which was particularly critical of BP and compared very unfavorably the operations at Valdez with BP's North Sea operations in Sullem Voe. During the course of "The Scottish Eye," the cover page of a highly confidential and privileged memorandum authored by GD&C associate attorney Carlos Goodman was shown on camera. The fact that such a highly confidential document had been leaked was of great concern to Alyeska and

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its owners. "The Scottish Eye" program was the subject of discussion at the time of the meeting of the OC held in La Quinta, California in January 1990. "The Scottish Eye" broadcast focused attention on Hamel because Hamel had long claimed to have access to confidential Alyeska documents (such as the GD&C memo) and because the producer of "The Scottish Eye" had stayed in Hamel's home for a time during the production of that episode of "The Scottish Eye."

After the OC meeting in La Quinta, during the course of discussions between Alyeska President James P. Hermiller ("Hermiller"), Alyeska Manager of Corporate Security Wellington, and, possibly, Alyeska General Counsel Smith, Hermiller suggested that he would like to revisit the subject of leaks.

Wellington considered possible courses of action and ultimately proposed to Hermiller that an undercover investigation be conducted for the purpose of identifying leaks within Alyeska. Wellington told Hermiller that the investigation would be legal, moral and ethical. Wellington further told Hermiller that the investigation would probably not be successful if the OC was advised of the plan. Hermiller instructed Wellington to see what he could do and get back to him (Hermiller) with a recommendation.

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B. Retention of Wackenhut

Wellington was advised that Wackenhut had the capability to conduct an undercover investigation during a meeting in Alaska between Wellington and Wackenhut's Senior Vice-President of Domestic Operations, Alan B. Bernstein, regarding other matters. Bernstein suggested, in answer to an inquiry from Wellington, that Wayne B. Black ("Black"), Director of Wackenhut's Special Investigations Unit, was qualified to conduct an undercover investigation along the lines proposed by Wellington.

Wackenhut was well known to Wellington because it provides security for the TAPS pipeline through a subsidiary corporation, American Guard and Alert. Wellington passed the recommendation along to Hermiller.

On March 7, 1990, Wellington went to Coral Gables, Florida to meet with Black and evaluate Wackenhut's capabilities. Wellington had not made a final decision about retaining Wackenhut and wanted to see what ideas and recommendations Wackenhut could offer before making a final decision.

Black has an extensive background in law enforcement and private security services. In 1982, Black left law enforcement to form his own private

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security company. Black's company was purchased by Wackenhut in 1989. Black was hired by Wackenhut to head a newly formed Special Investigations Unit. This unit was described by Black as focusing on confidential and sophisticated investigations. The Alyeska investigation was one of Black's first major assignments as an employee of Wackenhut.

Wellington described the purpose of the proposed investigation as being to determine who was stealing documents from Alyeska and giving them to Hamel. The initial focus of the investigation was on leaks of technical information. Scott was identified to Black as a potential "leak." Hamel was identified to Black as a possible recipient of leaked documents from Scott. However, Wackenhut was to attempt to identify all leaks.

Wellington gave instructions to Wackenhut that the investigation was to be legal, moral and ethical. The discussion with Wackenhut covered obtaining access to telephone toll records, trashing and recording face-to-face conversations. Black agreed that the investigation would be conducted in accordance with Wellington's instructions. Black states that he assumed from the beginning that the investigation would end up in litigation. Therefore, he was careful to do everything legally and in such a manner as to present a tactically strong case in court.

[illegible]

Wellington advised Black that Hamel liked to talk and that it might be possible for an undercover investigator to get close to him. He suggested that the Alaska Frontier Conference to be held in Fairbanks, Alaska, commencing on March 24, 1990, would be an opportune time to attempt to meet Hamel.

Upon returning from Florida, Wellington recommended to Hermiller that Wackenhut be retained to conduct the investigation. Hermiller approved that recommendation and authorized Wellington to proceed.

The decision was made by Hermiller and Wellington to restrict knowledge of the investigation within Alyeska to themselves, Steven Dietrich and Roger Iverson. The legal department of Alyeska was not informed of the investigation. According to Hermiller, this decision was based on a desire to preserve confidentiality by limiting the number of those "in the know." According to Wellington, the legal department was not informed because it was felt that there might be one or more leaks in the legal department.

C. Initial Investigation: Establishment of Ecolit

Black decided to establish an entity that would appear to be involved in environmental litigation. This entity, known as The Ecolit Group ("Ecolit") was

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not incorporated because Black did not want to make a false statement to a public agency, which would have been necessary to obtain a corporate charter.

During the week of March 13, 1990, investigator Rick Lund ("Lund"), an independent contractor retained by Wackenhut, first obtained Hamel's home telephone toll records. Lund stated that these toll records were purchased from a commercial source. He indicated that his sources are companies that contract with telephone companies to investigate fraud committed against telephone companies.

By March 20th, Black had opened a small Ecolit office in Coral Gables, Florida near Wackenhut's headquarters. Business cards and brochures had been printed.

D. The Alaska Frontier Conference

Wackenhut operative Ricki S. Jacobson ("Jacobson") attended the Alaska "Frontier Thinking" conference posing as a representative of Ecolit. Hamel was present at the conference but not enrolled as an attendee. Jacobson did not meet Hamel during the conference, although Hamel was pointed out to Black and Lund by Wellington. Black and Lund then pointed Hamel out to Jacobson.

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On her return flight to Seattle, Jacobson fortuitously was on the same plane as Hamel. Hamel recognized Jacobson from the conference and engaged her in conversation for the entirety of the flight. Hamel told Jacobson that he was "reading Alyeska's mail" and bragged extensively about his exploits and contacts. Hamel asked Jacobson questions about Ecolit. She responded by telling Hamel that she was a new employee of Ecolit but that she knew her employer was funded by a foundation and that it did environmental research. She gave Hamel the telephone number of the Ecolit Coral Gables office.

During this trip to Alaska, Black and Lund met with Wellington. Wellington does not recall the reason for Black and Lund being in Alaska but does recall meeting briefly with them. During this visit, Lund made a security analysis of Alyeska's telephone system and "trashed" Trustees for Alaska ("Trustees"). Trash obtained from Trustees was taken from a dumpster in a public alley. No entry onto private property was involved.

E. Lund/Crep Visit to Valdez

Wackenhut investigators Lund and Gary Crep ("Crep") went to Alaska during the week of April 1st to establish contact with Scott and other possible leaks.

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Lund and Crep ran an ad in the local newspaper and placed leaflets on a number of automobiles (including Scott's) parked near the Alyeska terminal in Valdez seeking to contact disgruntled Alyeska employees. Nothing of particular value was learned by the investigators, although they did "trash" Scott.

Scott apparently telephoned Hamel, however, when an Ecolit brochure was placed on his windshield. On April 6, 1990, Hamel telephoned the Ecolit number in Coral Gables, seeking to reach Jacobson. When Hamel's call was received, Black returned the call using the name "Wayne Jenkins." Black had not intended to take a role as an operative in the investigation, however, he did so when Crep became unavailable. Hamel told Black that he understood Ecolit had been able to place flyers on employee automobiles within a secured parking area. (Black says this was not true; all vehicles upon which flyers had been placed were located in areas open to the public. However, Black did not correct Hamel's misunderstanding.) This was the first contact between Hamel and Black, who discussed the possibility of getting together when Black was in the Washington, D.C. area on business.

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F. Surveillance of Hamel

During the week of April 30, 1990, Lund travelled to the Washington D.C. area to conduct a search of various public records for information regarding Hamel. During this trip, Lund also picked up some of Hamel's trash at Hamel's residence and searched it. Lund stated that Hamel's trash was curb-side and that entry onto Hamel's property was not necessary to obtain the trash. Lund learned that Hamel's home had a value of approximately $565,000, not subject to a mortgage, that Hamel had a modest bank balance ($1,189.87) and had a history of writing bad checks. Lund also discovered that a judgment in the approximate amount of $10,000 against Hamel in an unrelated court proceeding was unpaid and outstanding.

G. May 9 Meeting at Hamel's Home in Virginia

On or about May 9, 1990, Black (posing as Wayne Jenkins) and Jacobson went to Virginia for one day and met with Hamel in his home. The purpose of this meeting was to enable Jacobson to introduce Black to Hamel. During this meeting Black learned that Hamel was an investor in a software company, Management Information Technologies, Inc. ("MITI"). He believed that

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stolen Alyeska documents had been input by MITI into a computer using software which MITI had developed.

H. May 16 Meeting at Hamel's Home in Virginia

On May 16, 1990, Black and Lund visited Hamel at his home in Alexandria, Virginia. Hamel left Black and Lund alone for quite a while.

Black and Lund observed many Alyeska documents lying around Hamel's house and retrieved four documents from a group of documents which Hamel had described as "stolen" from Alyeska.

During this meeting Hamel for the first time discussed his involvement with Congressman George Miller. Hamel stated that he had furnished information to Miller relating to Alyeska and the owner companies for use by Miller in connection with Miller's congressional investigations. Hamel also told Black and Lund that he had heard (prior to the time that the Wackenhut investigation commenced) through his sources that he was being investigated and taped by mid-level security people.

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Lund posed as a computer consultant and spent one afternoon with employees of MITI to familiarize himself with MITI's software program. The discussions were technical in nature. Lund formed the opinion that MITI was in dire financial straits and badly needed a contract. Lund stated that Ecolit was interested in MITI's software.

I. Involvement of Richey, et al.

When Black returned to Coral Gables on May 17, 1990, he decided to consult with legal counsel. He states that his decision was prompted by the documents Hamel possessed that were purportedly stolen from Alyeska and the prominent mention by Hamel of Congressman Miller. Prior to May 17, no attorney (in-house or outside) had advised Wackenhut regarding any aspect of the Wackenhut investigation.

William L. Richey ("Richey") and his partner Jonathan Goodman ("Goodman") are members of the law firm of Richey, Munroe, Fine & Goodman, P.A. ("R-M") of Miami, Florida. Both worked as prosecutors before joining their present firm.

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R-M had not previously performed any legal services for Wackenhut, although it had engaged Black's company (prior to its sale to Wackenhut) on approximately 15 occasions. R-M had no prior relationship with Alyeska.

Richey stated that his firm was retained by Alyeska and not Wackenhut, although Black was to be Richey's point of contact with regard to the investigation. Richey's statements for services rendered to Alyeska were furnished to Black and passed along by and through Black to Wellington for payment by Alyeska and were paid by Alyeska.

Richey was first contacted by Black on May 17 and they met late that afternoon. Richey rendered his first legal opinion to Alyeska on May 22, 1990. At this time, Richey also advised that videotaping was lawful in Virginia with one party's consent. Black stated that Richey advised that all future conversations with Hamel should be recorded and that the investigation should stay completely away from anything having to do with Congressman Miller.

J. The May 23 Meeting in San Francisco

This meeting was scheduled well in advance as a status conference and it is pure coincidence that it followed so closely the meeting with Hamel at his

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home on May 16th. The meeting was attended by Wellington, Roger Iverson, assistant to Wellington ("Iverson"), Bernstein and Black. At this meeting, the first Executive Summary, contained in a large loose-leaf notebook, was delivered by Black to Wellington.

Wellington was satisfied with the progress of the investigation. He told Black to try to get closer to Hamel and to press Hamel for the names of persons who were leaking Alyeska documents and information. Wellington made the decision to proceed with the investigation even though there was some risk that Hamel would later claim to have a relationship with Congressman Miller. Wellington understood that Hamel was likely to continue talking about Miller and Black was instructed simply to listen and not pursue anything pertaining to Miller.

K. The June 20 Meeting With Hamel at The Hyatt Regency Hotel, Crystal City, Virginia

Lund arrived at the Hyatt Regency on June 19th, rented a suite of rooms and set up the equipment to videotape Hamel at a meeting scheduled for June 20, 1990. Lund checked with a friend in Virginia law enforcement and learned that Virginia has a single party consent law. The tape of this meeting is of poor quality and that, in part, prompted the later decision to establish an Ecolit

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office in Virginia so as to enable taping under more controlled and favorable circumstances.

Between the June 20th meeting and early August, contact was maintained by Black with Hamel by telephone.

Also during this period, Hamel was "trashed" at his home in Alexandria, Virginia on a few occasions. Hamel's trash was located curbside. An envelope addressed to Hamel bearing Scott's return address was recovered.

Hamel knew that his trash was being taken. On one occasion, Hamel's neighbors observed his trash being taken by a young man with long blond hair. On another occasion, Hamel observed Wackenhut's operative, a middle-aged black man, suggesting the possibility that Hamel was being "trashed" by different parties.

On one occasion, Hamel read to Black a letter that he said he had written to Exxon Vice President Don Smiley in which Hamel told Smiley that Exxon had private investigators making a video of him. The letter also stated that the constant taking of Hamel's garbage had caused an adverse psychological reaction in Hamel and his wife. The letter insisted that Smiley convey Hamel's demand that

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the investigators be withdrawn. Wackenhut did not trash Hamel's home after this conversation.

Wellington learned of MITI from Black during this time period. He learned that MITI's offices were being used as a mail drop by Hamel. Wellington instructed Black to pursue the course of action with MITI that would enable Black to retrieve stolen Alyeska documents. Black was to offer to help develop the software and to attempt to get the stolen Alyeska documents up on the software. At one point, Wellington recalls, MITI asked Ecolit for $6,000 for the software. Black declined, saying that the software was of no value until the Alyeska documents had been input.

L. Involvement of Alyeska In-House Counsel

At some point, Wellington became satisfied that neither Smith nor Lon R. Trotter ("Trotter") was the source of a leak within the Alyeska legal department. Wellington had planted two versions of a phony memo in the legal department. One version could be traced to Smith and the other version to Trotter. To Wellington's knowledge, neither version was leaked. Wellington felt it would be appropriate to involve Smith and Trotter and he so recommended to

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Hermiller, who agreed. Wellington asked Smith to assign Trotter to the project because Wellington and Trotter had a good working relationship.

There is some difference of opinion as to exactly when Smith and Trotter were advised of the investigation. Smith stated that he first became involved shortly after the May 16th meeting between Hamel, Black and Lund. Trotter stated that he first became involved a week or so before the August 3rd meeting in Coral Gables. Smith further stated that he brought Trotter in within a week after Smith became involved. It appears that Smith has placed his involvement too early. Mid-July is more likely than late May.

In addition to Trotter, Smith involved Alyeska litigation paralegal Karen Kilty, Los Angeles attorney Peter W. James ("James") and Alaska attorney Edward Boiko ("Boiko"). James recalls becoming involved shortly before his initial meeting with Smith, Boiko and Kilty on July 24, 1990.

Smith states that when he became aware that Hamel had privileged legal documents in his possession, he was determined to get Hamel "under oath" and discover his sources. Smith sought outside counsel to determine if Alyeska was in a position to litigate successfully with Hamel regarding return of its documents.

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He sought such counsel from James and Boiko. It appears that Smith involved Boiko and James within a week of his own involvement.

Smith, Kilty, James and Boiko met in Los Angeles on July 24, 1990. The purpose of the meeting was to inform James and Boiko of the problem and instruct them regarding what Smith wanted. Smith was seeking return of the documents from Hamel as soon as possible and advice as to whether there was any available cause of action, preferably in federal court, that would allow immediate seizure of the stolen documents in Hamel's possession. After this meeting, Smith relinquished direction of James to Trotter.

James understood his assignment as counsel for Alyeska as including (i) researching, preparing and bringing a lawsuit to recover from Hamel stolen Alyeska documents and to discover Hamel's source for such documents, (ii) determining how, when and where to bring the lawsuit and (iii) advising Alyeska concerning possible ramifications of bringing the lawsuit.

M. The Stolen Documents

Smith believes that the most likely source of confidential legal department documents was temporary or contract employees working in the legal

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department. According to Smith and Trotter, the stolen documents could have come (in part) from a notebook in Smith's office, from the file room in the legal department or from one of the owner companies or its counsel. Both Black and James were of the impression that the stolen documents were among the contents of a single notebook maintained under relatively secure conditions in Smith's office.

N. The August 3rd Meeting

A status meeting and strategy conference was held in Coral Gables, Florida, on August 3, 1990.

In preparation for that meeting, Black and Richey met on August 1st, at which time Richey reviewed the tape of Black's June 21st meeting with Hamel.

Attending the meeting on August 3rd were Black, Lund, Wellington, Iverson, Trotter, James, Richey, Goodman and, for a portion of the meeting, Bernstein. The second Executive Summary, dated August 3, 1990, was delivered by Black to Wellington at this meeting. Because of the concern over Hamel's possession of stolen legal documents, the focus of this meeting was in part on how to substantiate the thefts and discover the source of the leak(s).

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A decision was made to open an Ecolit undercover office in Virginia for the primary purpose of attempting to recover stolen documents from Hamel. Opening this office would also enable videotaping Hamel under controlled conditions, thereby obtaining better quality videotapes. It was also decided to try to get Hamel to become a paid consultant to Ecolit.

James was to prepare a lawsuit seeking recovery of the stolen documents in Hamel's hands. It was decided that unless the proposed action was strong enough to obtain a TRO or "freeze order", it would not be brought.

The decision to avoid any matters involving Congressman Miller or members of his staff was reaffirmed.

James advised the group to avoid any activity that could support claims of a "GM/Nader" type campaign by Alyeska against Hamel.

James also advised consulting with Ron Olson to determine whether the proposed lawsuit would jeopardize Alyeska's position in pending Exxon Valdez litigation.

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The group viewed the portion of the June 21, 1990, videotape showing Hamel claiming to have received the stolen legal documents from a newspaper reporter who told him that they came to her from a source within Alyeska.

O. Hermiller's Discussion With Garibaldi

Hermiller states that he spoke with Garibaldi by telephone within one month after Wellington returned from the meeting with Wackenhut in Florida. He states that he told Garibaldi that leaks at Alyeska were being investigated and that Hamel was believed to be involved. Hermiller kept no record of the telephone conversation and does not remember whether he told Garibaldi that Wackenhut had been retained to conduct the investigation. He does not recall any response from Garibaldi.

Hermiller also reports a meeting with Garibaldi at Garibaldi's office in Cleveland. Hermiller states that this conversation occurred on or about August 20, 1990, near the time the Ecolit Virginia office was established and taping began at that location. No one else was present during this meeting. Hermiller states that he told Garibaldi that they had begun taping Hamel and initial reports were encouraging. He remembers Garibaldi stating that he intended to inform BP

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America-Sohio General Counsel G. Dunn of the investigation. Hermiller recalls no other response from Garibaldi.

Garibaldi states that in July or August, 1990, Hermiller told him that Alyeska had tapes of Hamel, which he understood to mean that Alyeska had tapes of Hamel made by others. He did not understand Hermiller to be saying that Alyeska was taping Hamel. Garibaldi remembers Hermiller stating that he wanted to wait before showing the tapes of Hamel to the OC. Garibaldi states that he did not question Hermiller, nor did he say anything about talking to Dunn. Garibaldi has a general recollection of an earlier conversation with Hermiller regarding an investigation of Hamel but he has no recollection of any details of that conversation.

P. Establishment of Ecolit Virginia Office

Wackenhut operative Sheree Rich, a new hire, went to Virginia on August 13th or 14th and signed a lease for the Ecolit office at that time. Rich used her correct name on the lease and throughout the investigation. Black gave the lessor a check with his real name and the Wackenhut Coral Gables address imprinted on it.

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Between August 13th and August 18th, the Ecolit office in Virginia was wired for videotaping by Lund and Vern Johnson, a Wackenhut investigator.

On August 24th, Rich delivered a check for $2,000 to Hamel at his home, upon which he requested that she write "for expenses." Black later gave Hamel another $2,000, which amount Hamel had requested for expenses, including reimbursement of his sources.

Q. Activities Of Peter James Between August 3rd and September 25th

James supervised the preparation of a draft complaint against Hamel to recover Alyeska's attorney-client privileged documents. James also prepared, at Black's request, a dummy complaint ostensibly relating to an environmental lawsuit that Ecolit proposed to file. The dummy complaint was used by Black to establish Ecolit's bona fides with Hamel.

During this period, James reviewed the videotape made June 21, 1990, at the Hyatt Hotel in Crystal City, Virginia. James concluded that the tape was of poor quality, that the discussion lacked focus and that the tape would have to be shown in its entirety if any portion of it was to be used in court. In his opinion, this rendered the tape counterproductive as evidence.

P2R500036

On September 12th and 13th, James visited Alyeska in Anchorage to (i) acquaint himself with the Alyeska legal staff, (ii) examine the security of documents maintained in the Alyeska legal department and (iii) attend and observe certain court hearings relating to the Exxon Valdez oil spill. James believed that hallway chatter, local opinion and newspaper accounts of those hearings would assist him in determining how the proposed lawsuit would be received by the public in Alaska.

During this visit, James and Trotter viewed about 15 minutes of another videotape. They divided up the remainder of the tapes to view and copy for each other. Between September 13th and September 20th, James viewed one additional tape in Los Angeles.

R. September 20th Meeting in Coral Gables

At this status conference and strategy session a third Executive Summary, dated September 20, 1990, containing recommended further actions was delivered by Black to Wellington. The same group attended as were present at the August 3, 1990 meeting, except that Roger Iverson did not attend. The group viewed portions of various videotapes.

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There had been little activity during September as Black had been on his honeymoon.

Prior to and during the early portion of this meeting, the strategy had been to prepare a prosecution memo to present to appropriate law enforcement authorities for the purpose of having Hamel prosecuted criminally for stealing Alyeska's legal documents. After the tapes were viewed, Richey, who had previously been supportive of the strategy, changed his mind. He stated that he was troubled by the references to Hamel's association with Congressman Miller, the favors allegedly provided to members of Miller's staff and by Hamel's allegations about pollution. He was concerned that the FBI might not pursue the matter because of these complicating factors.

Also, the tapes did not present as strong a case as had been described to Richey. In Richey's view, the tapes were described to him as containing much stronger evidence against Hamel than he perceived when he viewed the tapes. Richey advised the group that he could not recommend any particular strategy without a careful review of a transcript of all of the tapes. James agreed. Black was instructed to produce such transcripts as soon as possible.

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The lawyers agreed to review the videotapes as a group at a meeting scheduled to be held October 13-14 in Salt Lake City.

A discussion ensued regarding advising the OC of the investigation. Trotter and James stated that the owners should be advised because they would need time to consider whether to file the proposed lawsuit. Wellington advised that he would be briefing the owners the next week. Smith (although not at the September 20th meeting) was concerned that a leak might exist at the owner company level, however, he needed the owner's approval to file a lawsuit so he had to accept that risk. Smith's plan was to have a complaint ready to go when he asked for the owners' approval, which would be filed immediately if approval was obtained. Therefore, there would be no opportunity to alert Hamel. Smith also knew that important hearings in the Exxon Valdez oil spill litigation were occurring around September 14th and he did not want to interfere with those hearings. Therefore, he planned to seek Alyeska stockholder approval to litigate after the Exxon Valdez hearings on or about September 14th.

Wellington and Smith state that by September 20th the investigation was winding down and it was obvious, at least to them, that they had obtained about all that they were going to obtain from Hamel. That conclusion was shared by Hermiller.

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Smith states that once he learned that Hamel's claimed source was a reporter, he concluded that the reporter could not be forced to reveal her sources because of "shield" laws. Therefore, in Smith's opinion, there would be no purpose in instituting litigation.

S. The Meeting in Denver on September 25, 1990

The Denver meeting was set up by Hermiller around September 15th, at which time he called the representatives of the 3 controlling Alyeska stockholders (BP, Exxon and Arco). They were told that the purpose of the meeting was to discuss Hamel and view certain videotapes of Hamel which Hermiller felt they should see.

Present at the September 25th meeting were Garibaldi, Warner, Rusnack, Bilgore, Pace, Hermiller, Smith, Trotter and Wellington. Hermiller introduced the subject and turned the meeting over to Smith. Smith states that he told the owners that Alyeska had no case against Hamel and that they could never get at the reporter's source(s) because of shield laws. Therefore, Smith could not recommend litigation.

A videotape montage of the various Hamel tapes was shown. At a certain point in viewing the videotape, the OC representatives indicated that they had seen enough. Alyeska management was instructed to shut down the investigation, which meant to stop taping immediately and get out of the investigation as quickly as possible without unduly raising Hamel's suspicions.

T. The Meeting at La Costa on October 3, 1990

A meeting of the OC was held at La Costa on October 3, 1990. Hermiller and Smith attended and explained the investigation that had been conducted. Smith described the results obtained from the investigation and reported that the investigation had been terminated.

The Owners reacted strongly and negatively to the fact that the investigation had been conducted. They agreed to retain independent counsel and conduct a thorough review of the investigation. Alyeska management was instructed to retain all documents and tapes pending receipt of advice of counsel as to what disposition should be made of the same.

U. Termination of Investigation

Wellington telephoned Black in Virginia on September 25, 1990 and told him that the owners had decided to terminate the investigation. Black immediately cancelled a meeting with Hamel scheduled for the next day. Black understood his instructions to be to cease taping immediately and disengage from Hamel as credibly as possible without unnecessarily raising Hamel's suspicions.

Lund immediately removed all electronic surveillance equipment. Sheree Rich stayed on in the Virginia office for an additional month. Hamel called the office twice during the first 2-3 weeks. During the last (fourth) week, he called every day. Hamel was quite upset. He stated that he had interested third parties in Ecolit and its inactivity has caused him embarrassment.

Black told Hamel that Ecolit had lost its funding and that he (Black) had obtained a new job in the insurance industry. The Ecolit office in Virginia was closed on or about November 1, 1990. Rent was paid on the Ecolit Miami office through December 31, 1990 although no significant activities were being conducted from that office subsequent to September 25, 1990. Black returned the MITI software to MITI on or about December 11, 1990.

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Hamel remained in sporadic telephone contact with Black through December, 1990.

In a telephone conversation between Hamel and Black in late November 1990, Hamel expressed his displeasure with Black's announcement that he was getting out of the environmental litigation business. Hamel stated that he would try to get Congressman Miller to subpoena Black as a way of keeping Black "in the business." Black told Hamel that he had nothing to tell Miller because Ecolit had just begun when its operations were shut down. Hamel agreed and has not pursued the idea of a subpoena from Miller.

On December 21, 1990 Hamel telephoned the Ecolit Miami telephone number which rang at Wackenhut. The telephone was answered by a Wackenhut employee. Hamel asked for "Wayne Jenkins." When the Wackenhut operator was unable to reach Black she paged Adrian Caputi who returned Hamel's call. Hamel told her that he was anxious to speak with Wayne Jenkins (Black).

The Ecolit telephone has since been disconnected.

V. Termination of Robert Scott

In late October or early November of 1990, Alyeska employee Robert Scott was terminated for cause, unrelated to the Wackenhut investigation. We have been advised that Scott has retained counsel in connection with his discharge. If Scott sues Alyeska, it is possible that the Wackenhut investigation will be required to be disclosed to Scott and his counsel through discovery. Obviously, Scott will tell Hamel anything Scott learns of the Wackenhut investigation.

V. Discussion Of Potential Criminal and Civil Liabilities

Certain conduct engaged in during the course of the investigation could result in criminal and/or civil liability. Such conduct and the potential liability is discussed below.

A. Obtaining MITI's Software Program.

1. Facts

During Black's May 9, 1990 meeting with Hamel and Jacobson, Black became aware that Hamel was an investor in MITI. Black believed that Alyeska

documents had been input by MITI into its software. Thus, when Black telephoned Hamel on May 14, 1990 to set up a meeting on May 16th, he told Hamel that he would like to bring one of Ecolit's computer consultants along to meet with MITI.

On May 16, 1990, Black and Lund traveled with Hamel to Washington, D.C. for the purpose of meeting with Ken Ewell, CEO of MITI, and Richard Hyams, MITI's only other employee, at the offices of MITI. Lund posed as Ecolit's computer consultant for the purpose of learning more about the MITI software program and the Alyeska documents that Black believed had been input by MITI.

Lund met with the MITI personnel for about two hours on May 16th. The discussion was technical in nature. Lund did learn that Black's belief that Alyeska documents had been input by MITI into the MITI software was erroneous. Later that evening, Black, Lund and Hamel had dinner, during which Hamel suggested that he could get a copy of the MITI software for Ecolit if Ecolit would undertake to test the MITI software for legal applications and give MITI its input. On May 17, 1990 Black FAXed an unsigned letter to Hamel in which he states:

". . . I would like to propose the following:

> Please consider providing the software to us for use and demonstration through our contacts in the legal community in South Florida and various parts in the United States. In return, we will critique the software as it applies to being friendly to paralegals and lawyers. When the software becomes the catalyst in a win in one of our cases, we will reimburse you for the costs. In the meantime, you would have our feedback as to how the software works."

This letter was written at Hamel's suggestion and the language of the letter was suggested by Hamel. Black does not recall how the letter was sent to MITI. Lund states that during a telephone conversation with Ken Ewell of MITI several weeks after May 16, 1990, Ewell acknowledged receipt of Black's letter and that the proposal contained therein was acceptable. Several weeks later the software was received, together with an invoice for $6,000 from MITI. Lund believes (but is not certain) that it was delivered by United Parcel Service. One purported feature of the software was the ability to translate material from English into five languages or from such five languages into English. The invoice from MITI was not retained

by Ecolit. To the best of Black's knowledge, all of his communications with Hamel were by FAX and telephone. Routine bills of Ecolit were paid using the U.S. mail.

2. Applicable Law

a. Criminal Law with Respect to MTI

(1) Federal Law.

(a) Mail Fraud. 18 U.S.C.A. § 1341 (West Supp. 1990) provides that any person who uses the United States Postal Service incident to a scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, and which scheme or artifice does not affect a financial institution, as is the case here, shall be fined not more than $1,000 2/ or imprisoned not more than five years, or both. Federal courts have

2/ However, it should be clearly understood that pursuant to new federal sentencing guidelines adopted in 1987, any individual found guilty of a felony offense now may be fined not more than $250,000, and any organization found so guilt may be fined not more than $500,000, unless the statutory offense specifically exempts the offense from the increased fine provision, which is not the case here. 18 U.S.C. § 3571 (West Supp. 1990).

read the mail fraud statute broadly to prosecute any fraudulent scheme which in any way utilizes the United States Mail.

(b) Wire Fraud. 18 U.S.C.A. § 1343 (West Supp. 1990) provides that any person who uses any wire communication in interstate commerce in furtherance of a scheme or artifice to defraud or for obtaining money or property by means of false or fraudulent pretenses, and which scheme or artifice does not affect a financial institution, as is the case here, shall be fined not more than $1,000 3/ or imprisoned not more than five years, or both. Federal courts have read the wire fraud statute broadly to prosecute any scheme to obtain property by false pretenses which in any way involves the use of telephone or telefax communication.

The elements of the offenses of mail fraud and wire fraud consist of, first, participation by the defendant in a scheme to defraud a person of money or property and, second, use of the mails or interstate telephone wires in furtherance of that scheme. United States v. Downs, 870 F.2d 613, 615 (11th Cir. 1989); California Architectural Bldg. Prods., Inc. v. Franciscan Ceramics, Inc., 818 F.2d 1466, 1469 (9th Cir. 1987), cert. denied, 484 U.S. 1006 (1988). The use of the mails or wires, however, need not be an essential element of the scheme to

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3/ See infra note 1.

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defraud; "[i]t is sufficient for the mailing [or wiring] to be 'incident to an essential part of the scheme' or 'a step in [the] plot.'" Schmuck v. United States, 109 S. Ct. 1443, 1447 (1989), quoting Badders v. United States, 240 U.S. 391, 394 (1916). Moreover, "it is equally beyond dispute that nothing requires the items mailed to contain the false representations of the underlying scheme to defraud." Dunham v. Independence Bank, 629 F. Supp. 983, 988 (N.D. Ill. 1986).

With respect to both mail fraud and wire fraud, because Wackenhut used the United States Postal Service in the operation of Ecolit, engaged in interstate telephone and telefax communication to establish and maintain Ecolit, and engaged in interstate telefax and telephone communication to induce MITI to provide Wackenhut with the software program, a federal prosecution could be brought under either or both of the mail fraud and wire fraud statutes. Federal courts have interpreted "scheme or artifice to defraud" and "obtaining money or property by means of false or fraudulent pretenses" very broadly. Any false representation designed to induce another to provide property is actionable. See generally, United States v. Brien, 617 F.2d 299 (1st Cir.), cert. denied, 446 U.S. 919 (1980); United States v. Louderman, 576 F.2d 1383 (9th Cir.), cert. denied, 439 U.S. 896 (1978).

(c) Interstate Transportation of Stolen Goods. 18 U.S.C. § 2314 (1988) provides that any person who transports in interstate commerce any goods of a value of $5,000 or more, knowing the same to have been taken by fraud, or any person participating in any scheme or artifice to defraud, or for obtaining property by means of false or fraudulent pretenses, or any person who induces another person to travel in or be transported in interstate commerce in the execution of a scheme to defraud that person of property having a value of $5,000 or more, shall be fined not more than $10,000 4/ or imprisoned not more than 10 years, or both.

A computer software program has been held to be property or goods for the purpose of the interstate transportation of stolen property statute. See United States v. Riggs, 739 F.Supp. 414 (N.D. Ill. 1990). A federal action could be brought under the interstate transportation of stolen goods statute assuming that the MITI software program is of a value of more than $5,000 and was transported across state lines.

(d) RICO. The essential elements of a federal criminal RICO offense under 18 U.S.C. § 1962(c) (1988) are: (a) existence of an enterprise; (b) that the enterprise affected interstate commerce; (c) that the

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4/ See infra note 1.

defendant was employed by or associated with the enterprise; (d) that the defendant participated, either directly or indirectly, in the conduct of the affairs of the enterprise; and (e) that the defendant participated through a pattern of racketeering activity; i.e., through commission of at least two racketeering acts. See United States v. Kopituk, 690 F.2d 1289 (11th Cir. 1982), cert. denied, 461 U.S. 928 (1983); United States v. Sinito, 723 F.2d 1250 (6th Cir. 1983), cert. denied, 469 U.S. 817 (1984). Criminal penalties for violation of RICO include a fine under Title 18 5/, and/or imprisonment for not more than 20 years. See 18 U.S.C. § 1963 (1988).

Unlike civil RICO, criminal RICO does not require a showing of damages to business or property. See Rylewicz v. Beaton Services, Ltd., 888 F.2d 1175, 1180 (7th Cir. 1989); Fleischhauer v. Feltner, 879 F.2d 1290 (6th Cir. 1989).

Relevant to the Wackenhut investigation, predicate federal acts of racketeering activity include mail fraud (18 U.S.C.A. § 1341 (West Supp. 1990)), wire fraud (18 U.S.C.A. § 1343 (West Supp. 1990)), interstate transportation of stolen property (18 U.S.C.A. § 2314 (West. Supp. 1990)). While various acts in the Wackenhut investigation, particularly in relation to MITI, may constitute predicate acts, they likely do not satisfy the RICO "pattern" requirement.

5/ See infra note 1.

The critical RICO issue in the instant case is whether the required pattern of racketeering activity could be established. In H.J. Inc. v. Northwestern Bell Tel. Co., 109 S. Ct. 2893 (1989) the Supreme Court recently discussed the pattern requirement under RICO. The Court had previously noted that the requirement of section 1961(5) that a pattern consist of at least two predicate acts implies "that while two acts are necessary, they may not be sufficient." Sedima, S.P.R.L. v. Imrex Co., 473 U.S. 479, 496 n.14 (1985). The Court in H.J. Inc. emphasized that a pattern requires both continuity and relationship among the predicate acts. Id. at 2900. We do not believe that the predicate acts which might be alleged in connection with the Wackenhut investigation constitute a "pattern" for RICO purposes because of the short duration of the Wackenhut investigation and the limited purpose of the investigation. The conduct lasted over a period of only 6 1/2 months. See Menasco, Inc., 886 F.2d at 684 (one year period held insufficient); Trundy v. Strumsky, 729 F. Supp. 178, 184-85 (D. Mass. 1990) (nine months insufficient). But see Polycast Technology Corp. v. Uniroyal, Inc., 728 F. Supp. 926, 948 (S.D.N.Y. 1989) (eight and a half months held sufficient).

Furthermore, as the United States Supreme Court stated in H.J. Inc., supra, continuity requires proving a series of related predicate acts "extending over a substantial period of time." The Court cautioned that predicate acts "extending over a few weeks or months and threatening no future criminal conduct do not

satisfy this requirement; Congress was concerned in RICO with long-term criminal conduct." The Wackenhut investigation may be viewed as a short term operation with a defined limited purpose and no threat of continuing conduct.

Finally, the required RICO continuity and pattern is lacking where, as in the instant case, the conduct was a single scheme involving a single perpetrator and directed against a single victim. See Menasco, Inc. v. Wasserman, 886 F.2d 681, 684 (4th Cir. 1989); Sutherland v. O'Malley, 882 F.2d 1196, 1204-05 (7th Cir. 1989); Pyramid Sec. Ltd. v. International Bank, 726 F. Supp. 1377, 1383 (D.D.C. 1989) (and cases cited therein). Here the single scheme that might be alleged was conducted by a single entity, Wackenhut, and was directed against a single entity, MITI.

(2) Virginia Law.

(a) Obtaining Property by False Pretenses.

(b) Conspiracy to Injure Another in Trade, Business, or Profession.

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(3) Conclusion

The required elements may be present to support a prosecution against Wackenhut for mail fraud, wire fraud, interstate transportation of stolen property and [ ]

The potential liability of Alyeska must be analyzed separately. Upon the theory that Wackenhut was an independent contractor, a prosecutor might endeavor to establish Alyeska's liability pursuant to theories of conspiracy and/or aiding and abetting Wackenhut. Under either such theory, it is not necessary for the prosecution to prove that Alyeska participated in each element of the criminal offenses. It is necessary, however, that the prosecution establish that Alyeska agreed with Wackenhut for Wackenhut to obtain the software through fraud or misrepresentation. There is a substantial issue as to whether Alyeska expressly agreed to or authorized any fraud or misrepresentation. In any event, it is our judgment that, unless influenced by a desire for the publicity inherent in a high visibility case, a prosecutor would exercise his prosecutorial discretion not to

prosecute Alyeska for these offenses due to the small amount involved and other similar mitigating facts, including Alyeska's purpose in retaining Wackenhut to conduct the investigation.

Moreover, although Alyeska retained Wackenhut as an independent contractor, a prosecutor might contend that Wackenhut was an agent of Alyeska and that, as a result, Alyeska was criminally responsible for all of Wackenhut's acts. Such a theory raises very serious questions about the prosecution's ability to prove that Alyeska possessed the requisite criminal intent. This would be an additional reason for a prosecutor to decide not to prosecute the matter.

b. Civil Law with Respect to MITI

(1) Federal Law

(a) Civil RICO. See discussion under Section V A 2 a (1) (d) of this report at pages 43, et. seq. Additionally, the civil remedies provision of RICO requires the plaintiff to have been "injured in his business or property." Under Civil RICO, a plaintiff is entitled to recover treble actual damages plus attorney's fees.

Since only a copy of the software program was obtained by Ecolit, the measure of damages may be the award of a reasonable royalty. Cf. Va. Code Ann. § 59.1-338(A) (Supp. 1990) (in the absence of a definite measure of damages, misappropriation can be measured by the imposition of liability for a reasonable royalty). However, since MITI offered to sell the program to Ecolit for $6,000, and invoiced Ecolit for that amount, its actual damages should not exceed the sum of $6,000. Also, since MITI is a new, startup company, with no history or track record, an award of damages based on speculative future profits would not be allowed. Mullen v. Brantley, 213 Va. 765, 195 S.E.2d 696 (1979), Lavay Corp. v. Dominion Federal Savings & Loan Assn., 830 F. 2d 523 (1987), cert. den. 484 U.S. 1065 (1988).

(2) Virginia

(a) Obtaining Property by Fraud. [

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(b) Misappropriation of Trade Secrets.

(c) Civil Conspiracy to Injure Another in Trade, Business, or Profession.

(3) Conclusion

3. Conclusions with Respect to Criminal and Civil Liability.

Based on the facts known to us, the required elements may be present to support a criminal prosecution against Alyeska for violation of the federal statutes prohibiting mail fraud, wire fraud and interstate transportation of stolen goods [

] However, in our judgment, unless influenced by a desire for the publicity inherent in a high visibility case, a prosecutor would exercise his prosecutorial discretion not to prosecute for these offenses due to the small

amount involved and other similar mitigating factors, including Alyeska's purpose in retaining Wackenhut to conduct the investigation.

[redacted]

Finally, we do not believe that the required pattern of racketeering activity can be established to support a criminal or civil RICO claim. Continuity requires proving a series of related predicate acts extending over a substantial period of time, indicating long-term criminal conduct. The Wackenhut investigation lasted no more than 6 1/2 months and threatens no future criminal conduct. There is no basis for either a criminal RICO prosecution or civil RICO cause of action.

B. Physical Surveillance.

1. Facts.

Face-to-face conversations with Hamel were audiotaped (through the use by the Wackenhut operative of a body microphone) on August 18, 1990 at the Hamel home and in the Charthouse restaurant in Alexandria, Virginia, on August 19, 1990 at the Howard Johnson's restaurant in Crystal City, Virginia (attempt to record unsuccessful) and on August 24, 1990 at the Hamel home. On August 30, 1990 Black spoke by telephone with Hamel's home from the National Airport in Washington, D.C. This conversation was audio-taped. This tape was not provided to PHJ&W. Black stated that this tape was not provided because Hamel was not home and Black spoke only with Mrs. Hamel on non-substantive matters. Face-to-face conversations with Hamel were videotaped on June 20, 1990 at the Hyatt Regency Hotel in Crystal City, Virginia and on August 18, 19, 23 and 30 at the Ecolit office in Crystal City, Virginia. Visual surveillance of Mr. and Mrs. Hamel and the Hamel home was conducted on April 30-May 2, 1990.

2. Applicable Law.

a. Criminal Law Relating to Physical Surveillance

(1) Federal Law.

The Omnibus Crime Control Act provides, in part, that any person who intentionally intercepts, or procures any other person to intercept any oral communication, through electronic means, may be punished by fine and imprisonment up to five years. 18 U.S.C. § 2511(1) (a) & § 2511(4) (a) (1988). However, if one party consents to that communication, the interception is not unlawful "unless such communication is intercepted for the purpose of committing any criminal or tortious act in violation of the Constitution or laws of the United States or any State." 18 U.S.C. § 2511(2)(d) (1988).

For the interception of an oral communication to constitute a federal offense, three elements must be established: first, there must be a willful interception, second, the oral communication must be uttered by a person exhibiting an expectation that the communication would be private, and third, the communication must have been under circumstances justifying the expectation of

privacy and without consent of any party. United States v. Carroll, 337 F. Supp. 1260 (D.D.C. 1971).

The single party consent exception to 18 U.S.C. § 2511 (1988) substantially protects Wackenhut's activities under federal law. Furthermore, even though 18 U.S.C. § 2511(2)(d) (1988) abrogates single party consent if the interception is for the purpose of committing any criminal or tortious act, federal courts have interpreted this provision so narrowly that it would not appear to be applicable to the Wackenhut investigation. See Meredith v. Gavin, 446 F.2d 794 (8th Cir. 1971); Park v. El Paso Bd. of Realtors, 764 F.2d 1053 (5th Cir. 1985), cert. denied, 474 U.S. 1102 (1986).

Although the taping recorded Hamel's side of telephone conversation(s) between Hamel and third parties, this fact should not constitute an offense. First, Hamel could not have had a reasonable expectation of privacy in his conversation so long as Black was within hearing distance. Second, by established case law, telephone conversations picked up in "bugging" of closed spaces is not illegal if the wiretap is not designed to bug the telephone conversation itself. See United States v. Williams, 527 F. Supp. 859 (S.D.N.Y. 1981); Smith v. Wunker, 356 F. Supp. 44 (S.D. Ohio 1972).

(2) Virginia Law.

b. Civil Law Relating to Physical Surveillance

(1) Federal Law

No civil cause of action for invasion of privacy or intentional infliction of emotional distress exists under federal law.

(2) Virginia Law

(a) Invasion of Privacy.

(b) Intentional Infliction of Emotional Distress.

(3) Alaska Law.

3. Conclusion

No crime has been committed [redacted] out of the physical surveillance activities.

C. Trashing.

1. Facts

On March 24, 1990 Lund searched trash located in a dumpster in a public alley behind the offices of Trustees in Anchorage, Alaska. On April 5 and April 9, 1990, Lund and Crep searched Scott's trash which was described as "sitting on the street" in front of Scott's residence. On May 2, 1990 Lund searched Hamel's trash which was located "curb-side" in front of Hamel's home in Alexandria, Virginia. On May 16, 23 and 30, 1990, Hamel's trash was searched by Wackenhut subcontractor Gerald Davis. Nothing of intrinsic value was recovered in connection with any of the above searches.

2. Applicable Law

a. Criminal Law Relating to Trashing

(1) Federal Law

No federal statute makes it a crime for a private party to take another person's trash or trespass on another person's property.

Federal courts have analyzed a property owner's rights in garbage he has left for collection in the context of fourth amendment challenges to law enforcement searches of garbage. When garbage is deposited in an area particularly suited for public inspection for the express purpose of having strangers take it, there can be no reasonable expectation of privacy in the inculpatory items that have been discarded. California v. Greenwood, 486 U.S. 35 (1988). The overwhelming weight of federal and state authority rejects the proposition that a reasonable expectation of privacy exists with respect to trash discarded outside the home and the curtilage thereof. Id. at 41-42. Absent proof that a person has made some special arrangement for the disposition of his garbage, he has no reasonable expectation of privacy with respect to it once he has placed it for collection. See United States v. Crowell, 586 F.2d 1020, 1025 (4th Cir. 1978), cert. denied, 440 U.S. 959 (1979). Furthermore, the act of placing garbage for collection is an act of abandonment and the subsequent processing of that garbage is not within the protection of the Fourth Amendment. Id.

(2) Virginia Law.

(a) Trespass.

to do so, either orally, in writing, or by signs posted on the property. The Wackenhut operatives were not notified (orally or in writing) that they could not enter Hamel's premises from which trash was taken and, further, the premises were not posted with "no trespassing" signs. Therefore, no violation of Virginia criminal trespass law occurred.

(b) Larceny. [

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(c) Invasion of Privacy. [

]

(3) Alaska Law.

(a) Trespass. [

]

(b) Larceny.

(c) Invasion of Privacy.

b. Civil Law Relating to Trashing

(1) Federal Law.

No civil cause of action for trespass, larceny or invasion of privacy exists under federal law.

(2) Virginia Law.

(a) Trespass.

(b) Invasion of Privacy. [

]

(3) Alaska Law

(a) Trespass. [

]

(b) Invasion of Privacy. [

]

3. Conclusion

No crime has been committed [ ] out of the trashing activities of Wackenhut.

D. Obtaining Telephone Toll Records

1. Facts. Hamel's Virginia home telephone toll records covering the period from January 1990 through at least June 1990 were purchased by Wackenhut subcontractor Rick Lund from a source described by him to PHJ&W as a company that contracts with the Virginia telephone company to investigate fraud against the telephone company. We also understand that Lund purchased Scott's home telephone toll records for at least the months of January and February, 1990. Lund may also have sought to obtain telephone toll records for a Hamel telephone number in Connecticut but we have no evidence that these records were ever obtained. It is not known whether Lund's source(s) has the permission of the telephone company to sell such toll records. Certain telephone toll records in the possession of Wackenhut were observed to be marked "AT&T Proprietary."

2. Applicable Law

a. Criminal Law

(1) Federal Law.

No federal criminal law has been violated by obtaining Hamel's telephone toll records.

(2) Virginia Law.

b. Civil Law

(1) Federal Law

No civil cause of action exists under federal law for obtaining telephone toll records.

(2) Virginia Law

[redacted]

(3) Alaska Law

[redacted]

3. Conclusion

[redacted]

E. Obstruction of Congressional Investigation: Tampering with Informant: General Obstruction of Justice Statute.

1. Facts. The only "facts" relative to this question are Hamel's assertions on videotape that he has a relationship with Congressman Miller and members of Miller's staff and that he furnishes information to Miller from time to time. We have received no evidence that Hamel is an agent of Congressman Miller or any other governmental body or agency.

2. Applicable Law

a. Federal Law

(1) 18 U.S.C. § 1505 (1988) (Obstruction of Proceedings Before Congressional Committee) provides, in part:

> "Whoever corruptly, or by threats or force, or by any threatening letter or communication influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the due and proper administration of the law under which any pending proceeding is being had before any department or agency of the United States, or the due and proper exercise of the power of inquiry under which any inquiry or investigation is being had by either House, or any committee of either House or any joint committee of the Congress— Shall be fined not more than $5,000 or imprisoned not more than five years, or both."

"Proceedings" for purposes of section 1505 include administrative investigations, informal attorney investigations, and Congressional investigations. See United States v. Mitchell, 877 F.2d 294 (4th Cir. 1989); United States v. Vixie, 532 F.2d 1277 (9th Cir. 1976).

The facts which have come to our attention do not indicate the intent required by the statute to corrupt or otherwise to improperly influence a Congressional investigation. See United States v. Mitchell, 877 F.2d at 294. Furthermore, the facts reveal no acts to impede or obstruct any Congressional investigation. Id. (conviction under sections 1503 or 1505 requires some act taken with the requisite intent to obstruct or interfere); United States v. Silverman, 745 F.2d 1386 (11th Cir. 1984) (one violates the obstruction of justice statutes by knowingly and purposefully undertaking some act which is designed to influence, impede, or obstruct the due administration of justice).

There is some risk, of course, that Congressman Miller might hold hearings and attempt to develop facts that would bring Wackenhut's conduct within the scope of this statute. In such hearings the facts surrounding the Wackenhut investigation would probably be exposed to the public.

(2) 18 U.S.C. § 1512(b) (1988) (Tampering with Witness or Informant) provides, in part, whoever

> "corruptly persuades another person, or attempts to do so, or engages in misleading conduct toward another person, with intent to—(1) influence, delay, or prevent the testimony of any person in an official proceeding; (2) cause or induce any person to—(A) withhold testimony, or withhold a record, document, or other object, from an official proceeding; (B) alter, destroy, mutilate, or conceal an object with intent to impair the object's integrity or availability for use in an official proceeding; (C) evade legal process summoning that person to appear as a witness, or to produce a record, document, or other object, in an official proceeding; or (D) be absent from an official proceeding to which such person has been summoned by legal process; or (3) hinder, delay, or prevent the communication to a law enforcement officer or judge of the United States of information relating to the commission or possible commission of a Federal offense or a violation of conditions of probation, parole, or release pending judicial proceedings; shall be fined not more than $250,000 or imprisoned not more than ten years, or both."

For purposes of section 1512 official proceedings include government agency proceedings and grand jury proceedings. Furthermore, "(1) an official proceeding need not be pending or about to be instituted at the time of the offense; and (2) the testimony, or the record, document, or other object need not be admissible in evidence or free of a claim of privilege." 18 U.S.C. § 1512(e) (1988).

As noted, "proceedings" for the purpose of section 1512 include grand jury or government agency proceedings. Hamel could be viewed as a potential witness before a grand jury or agency investigation or a potential informant. See generally, United States v. Di Salvo, 631 F. Supp. 1398 (E.D. Pa. 1986), aff'd

without opinion, 826 F.2d 1057 (3d Cir. 1987). Conviction under section 1512 requires: intimidation, physical force, threats, corrupt persuasion or misleading conduct. See United States v. King, 762 F.2d 232 (2d Cir. 1985), cert. denied, 475 U.S. 1018 (1986). There is no evidence whatsoever that Wackenhut operatives used intimidation, physical force, threats, or corrupt persuasion. Although arguably Wackenhut operatives engaged in misleading conduct, there is no evidence whatsoever that when engaging in such conduct, Wackenhut operatives possessed the requisite intent to induce Hamel not to cooperate or participate in a Congressional investigation or grand jury hearing. Id. Absent such intent, there is no exposure to criminal prosecution for tampering with a witness or informant.

(3) 18 U.S.C. § 1503 (1988) (General Obstruction of Justice) provides a general statute under the Omnibus Crime Act to prosecute general acts constituting obstruction of justice. The relevant portion of 18 U.S.C. § 1503 (1988) provides, whoever "corruptly or by threats or force, or by any threatening letter or communication, influences, obstructs, or impedes, or endeavors to influence, obstruct, or impede, the due administration of justice, shall be fined not more than $5,000 or imprisoned not more than five years, or both."

Similar to sections 1505 and 1512, the general obstruction of justice statute, 18 U.S.C. § 1503 (1988), requires that any act of corruption must be done

with the specific intent and purpose of obstructing justice. See United States v. Rasheed, 663 F.2d 843 (9th Cir. 1981), cert. denied, 454 U.S. 1157 (1982). Absent this intent, there is no likelihood of criminal exposure under the general obstruction of justice statute.

b. Virginia Law.

[redacted]

3. Conclusion

We do not believe that any acts have occurred which violate the statutes described above. As noted above, however, there is a risk that Congressman Miller might hold hearings in an attempt to develop facts that would bring Wackenhut's conduct within the scope of one or more of the above statutes.

F. Retrieval of Four Documents from Hamel Home

1. Facts

On May 16, 1990 Wackenhut operatives Black and Lund removed four (4) Alyeska documents from Hamel's home in Alexandria, Virginia without Hamel's knowledge or permission. The four documents consisted of an Alyeska Work Request bearing dates of April 15 and April 17, 1990, an Alyeska Corporate Operations Administrative Exchange Report dated March 29, 1989 and two (2) Alyeska messages. All documents are the property of Alyeska and none of the documents is believed to have any separate intrinsic value.

2. Conclusion

An examination of applicable federal [ ] has led us to conclude that the retrieval of these four [this space is present in the original and has not been redacted.] (4) documents did not violate any criminal statute [ ]

VI. Summary of Conclusions as to Matters of Law

A. Criminal Law

The manner in which the MITI software program was obtained may have constituted a violation of federal mail and wire fraud and interstate transportation of stolen goods statutes, [particularly the larceny provisions applicable to obtaining property by false] However, the value of the property taken was small and there were other mitigating circumstances which would probably persuade a prosecutor not to seek an indictment.

B. Civil Law

[

]

VII. Hamel Allegations Relating to Alyeska and the Alyeska Stockholders. 8/

8/ As instructed by the OC, we did not make an in depth study of the relevant facts and applicable laws which should be considered in view of Hamel's allegations. Furthermore, we did not review such documents as permits, certificates of adequacy, grants of right-of-way, licenses and other instruments that would be relevant to an evaluation of the Hamel allegations. However, based on a preliminary examination, it appears to us that addressing the Hamel allegations will require consideration of the following statutes, inter alia:

(i) The Trans-Alaska Pipeline Authorization Act, Pub. L. No. 93-153 (1973) (codified as amended at 43 U.S.C. §§ 1651-55 (1988) (further amended by (A) the Trans-Alaska Pipeline Reform Act of 1990, Pub. L. No. 101-380, Title VIII, §§ 8001-8302 (1990) and (B) the Oil Pollution Act of 1990, Pub. L. No. 101-380, Title I, §§ 1001-1020 (1990)).

(ii) The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, Pub. L. No. 96-510, Title I (1980) (codified as amended at 42 U.S.C. §§ 9601-9675) (1988)).

(iii) The Federal Water Pollution Control Act, ch. 758, § 311, 62 Stat. 1155 (1948) (codified as amended at 33 U.S.C § 1321 (1988)) (further amended by the Oil Pollution Act of 1990, Pub. L. No. 101-380, Title IV, §§ 4101-4306 (1990)).

(iv) The Hazardous Liquid Pipeline Safety Act, Pub. L. No. 96-129, Title II (1979) (codified as amended at 49 App. U.S.C. §§ 2001-2015 (1988).

(v) The Mineral Leasing Act of 1920, ch. 85, § 28, 41 Stat. 449 (1920) (codified as amended at 30 U.S.C. § 185 (1988)).

(vi) The Ocean Dumping Act, Pub. L. No. 92-532 (1972) (codified as amended at 33 U.S.C. § 1401-1445 (1988)).

(vii) The Act to Prevent Pollution from Ships, Pub. L. No. 96-478 (1980) (codified as amended at 33 U.S.C. §§ 1901-1912 (1988)) (which references the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto ("MARPOL 73/78")).

(continued...)

A. Hamel Allegations Relating to Alyeska

During the discussions between Black and Hamel, Hamel made various allegations of misconduct by Alyeska and certain of the stockholders of Alyeska. Those allegations are summarized below.

1. Hamel Allegations and Charges

a. The allegation that the pipeline and/or the vertical supports thereof are corroded and that breaks or ruptures in the pipeline and resulting oil spills are likely and/or possible as a consequence thereof.

b. The allegation that in the event of a major earthquake it is likely that the pipeline will rupture resulting in oil spills and environmental damage.

8/ (...continued)
(viii) 46 U.S.C. §§ 3701-3718, 9102 (1988) (governing the manning and operation of vessels carrying liquid bulk dangerous cargoes).

c. The allegation that crude oil recovered from ballast water and/or from "slop" off-loaded at the Valdez terminal is added to the product in the pipeline for the purpose of increasing through-put, and, therefore, the profits of the owner companies.

d. The allegation that Alyeska knowingly allows its ballast water treatment facility in Valdez to be improperly used to treat hazardous substances off-loaded from tankers at the Valdez terminal. This allegation includes the charge that the Alyeska ballast water treatment facility lacks the capacity to properly treat the volume of material processed through it and that it is not designed to treat and/or eliminate the substances other than crude oil contained in the material delivered to it for processing.

e. The allegation that Alyeska is discharging into the ocean at Valdez:

(1) Contaminated ballast water that is not fully and/or properly treated because the capacity of Alyeska's ballast water treatment facility is exceeded; and/or

(2) Hazardous materials processed through Alyeska's ballast water treatment plant because that plant is not designed to treat and/or eliminate substances other than crude oil from the material it processes.

f. The allegation that a laboratory in Canada is testing salmon from a hatchery adjacent to the Alyeska terminal and that the laboratory has found a high concentration of hydrocarbons and napthalenes in the water, and, that the salmon are getting progressively smaller each year.

2. Conclusion

With respect to the Hamel allegations pertaining to Alyeska which are described herein, we recommend that Alyeska review each such allegation and determine if:

a. Such allegation contains any new material not previously known to Alyeska;

b. Such allegation is true, in whole or in part;

c. Whether any circumstance exists that requires action not already completed, underway or contemplated; and

d. Whether any circumstance exists that gives rise to a reporting responsibility or other obligation under any applicable statute, ordinance, rule, permit or other regulation to which Alyeska is subject or by which Alyeska is bound.

B. Hamel Allegations Relating to the Stockholders of Alyeska

1. Hamel Allegations and Charges.

a. The allegation that conditions on board vessels carrying crude from Alaska to ports in the lower 48 are unsafe and that such vessels are undermanned and undermaintained and that crews are not properly trained (specifically radio operators). This allegation is made generally with respect to all vessels and specifically with respect to Exxon vessels.

b. The allegation that crude oil and hazardous wastes are being discharged or dumped into the ocean in the Gulf of Mexico. The allegations made are that:

(1) Crude oil is being discharged;

(2) Barrels or other containers of hazardous materials are being dumped overboard; and

(3) The content of "slop" tanks is being discharged. This allegation is made specifically with respect to Exxon.

c. The allegation that hazardous substances are being off-loaded by vessels at the Alyeska ballast water treatment facility in Valdez and therefore improperly disposed of, rather than being treated or disposed of as required by law. This allegation relates to material pumped from the tanks of vessels heading into dry dock in the lower 48 into the ballast water tanks of vessels making the return trip north to Valdez and hazardous substances allegedly being pumped into the ballast water tanks of vessels which have off-loaded Alaskan crude oil at refineries in the lower 48 before such vessels begin their return trip north to Valdez. This allegation is made generally but also specifically as to Exxon, BP and ARCO.

d. The allegation that barrels of sludge containing hazardous wastes are being sold to rural Mexicans as road oil to settle dust.

2. Conclusion

With respect to the Hamel allegations pertaining to the stockholders of Alyeska, we recommend that each stockholder take action similar to that described in paragraph A2 above at page 88 as to each allegation pertaining to its operations identified in paragraph B1 above at pages 89-90.

VIII. Disclosure of Possible Misconduct of Public Officials.

Hamel stated that he has provided favors (such as paid vacations, free meals, etc.) for various government officials including Congressman Miller's chief counsel, Jeff Petrich, which such officials have accepted. At the December 13, 1990 OC meeting with representatives of PHJ&W, the OC asked whether Alyeska or the Alyeska stockholders have any obligation to disclose such possible improper conduct by public officials.

The federal statutes that impose reporting or disclosure requirements with respect to such activities apply only to government employees and persons directly involved with government employees (such as lobbyists). No reporting or other disclosure obligation is imposed on unrelated third parties such as Alyeska or the stockholders of Alyeska.

IX. Issue of Liability, if any, of Alyeska Stockholders

Originally PHJ&W was requested in writing to advise as to the criminal and civil liability, if any, of the Alyeska stockholders arising out of the Wackenhut Investigation. At the meeting of the OC on December 13, 1990, and subsequently, the Chairman of the TAPS Legal Subcommittee has stated to us that the OC is not looking to PHJ&W for any advice on this issue since the OC has received advice thereon from other counsel in another context.

Nevertheless, to maintain the integrity of this report PHJ&W has done limited research on this issue and consulted briefly with the counsel identified as having researched this issue in depth. Recognizing that we have done only limited research on this issue, we are nevertheless constrained to briefly set forth our views respecting the issue.

With respect to any possible criminal liability on the part of the Alyeska stockholders, such liability, if any, would have to be based on the doctrine of vicarious liability; that is, the liability of a principal for the acts of its agent done within the scope of the agent's authority.

Our limited research has disclosed very few relevant cases involving vicarious corporate criminal liability. The few cases which do exist generally involve wholly-owned subsidiaries. That obviously is not the case here. In addition, such few relevant cases are factually different from the present case because in such cases some high managerial agent at the parent company level either participated in the allegedly wrongful conduct or at least had knowledge thereof and took no action to prevent it.

In our judgment, that is not the situation in the present case. There is no evidence whatsoever that any high managerial agent or indeed any person representing any of the stockholders knew or should have known that Alyeska was possibly engaged in obtaining the MITI software by fraud.

Finally, as a matter of prosecutorial discretion it is our experience that prosecutors do not often prosecute cases that involve "double vicarious liability"; that is, holding a corporation responsible for the conduct of the employees and then, in addition, holding its parent corporation responsible based on the conduct of the subsidiary's employees. Further, we feel it is unlikely that any prosecutor would endeavor to adopt the "double vicarious liability" approach since the owners of Alyeska are third or fourth tier subsidiaries of their ultimate parents.

Turning to any possible civil liability on the part of the Alyeska stockholders, any plaintiff in a civil action would be confronted by hurdles substantially similar to those outlined above in our discussion relating to criminal liability. Given the relatively small potential civil liability arising out of obtaining the MITI software, this should not be a matter of major concern to the Alyeska stockholders.

X. Additional Recommendations

A. All materials collected, obtained, developed and produced during the Wackenhut investigation should be assembled and permanently maintained in a secure location other than Alyeska's premises. We recommend that all such materials be delivered to and retained by PHJ&W. No materials should be destroyed.

B. Alyeska may have been exposed to criminal and civil liability in the manner and to the extent described in this Report.

C. No action is required to be taken or should be taken with respect to the matters described in Paragraph B above unless and until criminal prosecution(s) are commenced and/or civil claims are asserted.

D. No action is required to be taken or should be taken with respect to possible misconduct by public officials suggested by Hamel during the course of his conversations with Black.

Respectfully submitted,

PAUL, HASTINGS, JANOFSKY & WALKER
Leonard S. Janofsky
Joel F. McIntyre
Dorothy Y. Kirkley
John P. Burns

By:_____
Leonard S. Janofsky

J



R. Bruce Barr
Director -
Auditing and Security

Room 129A-3220
80 Columbia Turnpike
Morristown, NJ 07962
201 829-7430

October 25, 1991

Linda J. Chase
Chief Counsel on Investigation
United States House of Representatives
Committee on Interior and Insular Affairs
483 Ford House Office Building
Washington, D.C. 20515

Dear Ms. Chase:

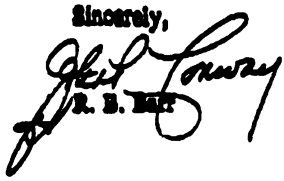
I am Director, Auditing and Security for American Telephone and Telegraph Company (AT&T). In that position, I am responsible for insuring that AT&T's policies, including policies related to the confidentiality of customer records, are complied with internally. I have been informed that billing data disclosing calls made from the telephones of individual customers have been disclosed to the House Interior Committee by a private investigation firm. As a result of that disclosure, the House Interior Committee has asked AT&T to provide a description of its current policy regarding disclosure of such information to persons other than AT&T and others acting at AT&T's request. I am happy to provide that information to you for use by the House Interior Committee.

A variety of third parties, including private investigators and law enforcement agencies, sometimes request that the billing data for individual customers be disclosed. AT&T, as a matter of policy, does not comply with such requests unless AT&T receives appropriate legal process, such as a subpoena or court order, or the customer's consent.

In addition to the records of billing data maintained by AT&T, such records often are also maintained by local exchange carriers which in many parts of the country serve as AT&T's billing agent for a number of long distance services. AT&T and the local exchange carriers agree that the local exchange carriers will treat individual customer billing records related to long distance charges as confidential and will not disclose such records at the request of third parties unless appropriate legal process is received.

I appreciate this opportunity to address your question and trust that this letter proves responsive to your needs.

Sincerely,



R. B. Ray

OFFICE OF THE
COMMONWEALTH'S ATTORNEY
FOR ARLINGTON COUNTY
COURTHOUSE
ARLINGTON, VIRGINIA 22201
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ANNE WREN GARRETT
MARGARET EVELYN LAIR
LISA A. WILSON
GLENN A. MAKL

November 4, 1991

The Honorable Don Young
Ranking Minority Member
Committee on Interior and Insular Affairs
United States House of Representatives
Washington, D.C. 20515-6201

Dear Mr. Young,

Reference your letter of November 4, 1991, Mr. Charles Hamel has not been authorized to offer anyone immunity in this jurisdiction nor to speak for this office in any way whatsoever.

This office has no present plans to prosecute anyone in connection with the Alyeska/Wachenhut/Hamel affair and Mr. Hamel has been so informed.

Sincerely,

Helen F. Fahey

Helen F. Fahey
Commonwealth's Attorney

cc: The Honorable George Miller

STATEMENT BY DAVID MARQUEZ, GENERAL COUNSEL,
ALYESKA PIPELINE SERVICE COMPANY
NOVEMBER 4, 1991 - 12:30 P.M.
WASHINGTON, D.C.

Congressman Miller's statement of this afternoon offering the Wackenhut witnesses the privilege of testifying in Executive Session seems fair. However, Chairman Miller's repeated statements over the past several weeks alleging criminal activities took place during the course of the investigation is unfair and demonstrates a troubling prejudice before all the facts are in.

After the hearings are completed, all the witnesses have testified and all the evidence is in, it will be clear that no Congressman nor any member of the Staff was ever investigated. In fact the single purpose of this investigation was to trace stolen confidential attorney-client privileged documents back to their source within Alyeska. Alyeska gave clear instructions to Wackenhut that the investigation was to be conducted legally, we were assured it was and we believe it was.

The Anchorage Times

Locally owned since 1915; Alaska's best newspaper

FRIDAY, September 27, 1991

Volume 77 No. 270 25¢

Activist law firm awaits Alyeska reply

By BERT TARRANT
TIMES BUSINESS WRITER

An Anchorage environmental law firm is anxiously awaiting a letter from Alyeska Pipeline Service Co. on how far the oil consortium went to spy on it, amid news Alyeska's probe of critic Charles Hamel included researching telephone calls made to the firm.

The letter is expected to be delivered today.

Randall Weiner, executive director of Trustees for Alaska, fired off a letter Sept. 14 to Alyeska demanding an accounting of the investigation after learning from a Sept. 13 story in The Anchorage Times that trash had been taken from the law firm's downtown Anchorage office.

The trash included a copy of a court case, copies of bills pending in the Alaska Legislature and news clippings.

Sifting through trash at Trustees for Alaska's office was part of a seven-month probe conducted by The Wackenhut Corp. of Coral Gables, Fla. for Alyeska in 1990 to uncover how sensitive and confidential Alyeska documents were reaching Hamel.

"We did get a letter from David Marquez (Alyeska's general counsel), apologizing for the delay and promising a reply by the end of this week," Weiner said Thursday.

Weiner said he was concerned the probe may have been aimed at the law firm's pending lawsuit against Alyeska and a report it is compiling on oil-industry pollution in Alaska.

Alyeska spokeswoman Marnie Isaacs said Thursday Alyeska's response to Trustees would be delivered today.

"Right now, it's our No. 1 priority," Isaacs said. "We will be replying, and it will answer all of Trustees' questions and will include (the) monitoring of phone records."

But Weiner said he was unaware the investigation included an analysis of

Alyeska

Continued from page A1

local and long-distance telephone calls logged to Trustees.

The analysis was included in the six boxes of documents, videotapes and tape recordings turned over by Alyeska to the U.S. House Committee on Interior and Insular Affairs Sept. 6 at the request of committee chairman Rep. George Miller, D-Calif.

The handwritten analysis contained a list of phone numbers from which calls had been placed to Trustees for Alaska from across the United States. After each number was the name of the person or organization in which the number was listed. In many instances, the telephone numbers had been disconnected or were no longer in service, the documents show.

Alyeska has resisted turning over some documents from the investigation, citing attorney-client privilege.

The congressional committee voted unanimously Wednesday to issue subpoenas to compel Alyeska to furnish additional documents detailing the hunt for the source of leaks about operation of the trans-Alaska pipeline.

Weiner said the telephone analysis violates his firm's attorney-client privilege because Trustees, like other law firms, uses the telephone for confidential communication with clients.

"Not only are our phone calls confidential, but our contacts are confidential because of the legal representation we provide," he said. "This is ominous news, indeed."

The documents submitted to the House committee gave no indication how Wackenhut operatives acquired the list, but a spokesman for the Anchorage Telephone Utility said it was not through ATU.

"We will not flip the switch to transcribe the phone numbers of incoming or outgoing telephone calls without a legal document authorizing it — a subpoena or a court order," said Doyle Carroll, ATU's manager of inside plant operations.

Carroll checked his records, and said no authorization had been given to make a transcript of the telephone numbers used to make calls to Trustees, and that no transcript had been made.

Even if a transcript had been authorized and made, it would take another court order to release it, he said.

Alascom Inc. spokesman Tom Jensen said his company has no record of a telephone log being leaked to anyone.

The requirements for subpoenas or court orders are part of the Federal Communications Act of 1934, Jensen said. "Without a court order, the only person I can release your phone records to is you," he added.

Franklin Siegel of the New York-based Center for Constitutional Rights has been in contact with Weiner, and said it would appear Trustees' attorney-client privilege had been "invaded."

The 25-year-old center is a non-profit, public interest law firm, Siegel said. Among its clients have been 55 U.S. congressmen during the Persian Gulf War, the Philippine government in its effort to freeze overseas assets of deposed President Ferdinand Marcos, and artists whose grants from the National Endowment for the Arts were blocked.

Invasion of attorney-client privilege "may be an act of criminality on the part of the security firm," Siegel said. "It will depend on at what point the employer (of the security firm) learned of the action and what was done about it."

Siegel said a graver concern is the impact such actions have on civil rights.

"You end up frightening people for standing up for rights against powerful people with a lot of resources."

Robert Ellis Smith, publisher of the Providence, R.I.-based Privacy Journal, said he had been following the Alyeska investigation.

"You've got invasion of privacy here, for sure," Smith said.

The Privacy Journal is a monthly newsletter established in 1974 that follows new surveillance technology and its impact on individual rights, he said.

"Alaska has a right to privacy in its constitution, but it typically has been used to protect people from the actions of government," Smith said.

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M E M O R A N D U M

PRIVILEGED ATTORNEY/CLIENT INFORMATION
PRIVILEGED WORK PRODUCT INFORMATION
CONFIDENTIAL & PERSONAL

TO: Bill Richey

FROM: Jonathan Goodman JG

DATE: August 31, 1990

RE: Criminal Prosecution Memorandum (a/k/a "PROSS" memo)

Alyeska Pipeline Investigation
RMF&G File No. 1072-1

As you know, we are scheduled to meet with Pat Wellington and the other Alyeska officials at the South Miami Wackenhut office on September 20, 1990, at 9:00 a.m.

According to Wayne, however, Alyeska has now decided to change the proposed approach for dealing with Hamel. Now, Wellington wants all the information to be presented to the FBI in Alaska for criminal prosecution of Hamel and others.

In order to do so, we need to provide everything to the FBI on a "silver platter." Wellington wants to see how we would do this. Specifically, he wants us to prepare the PROSS memo, which we would deliver to the FBI, along with the exhibits (videotapes, bodybug tapes, interview notes, seized documents, exhibits, etc.).

Although Wayne said we did not necessarily have to complete the PROSS memo by September 20, he said we should have the project well under way so that we could show Wellington what we have done.

Unfortunately, I will be incredibly tied up during the next 3 weeks. I have virtually no time available to even begin the process of preparing a PROSS memo. Wayne suggested it was important for us to have something prepared because Wellington is apparently dissatisfied with the California lawyers who have apparently dropped the ball. For instance, the California lawyers have not even contacted Wayne Black to begin preparing affidavits for the civil action which Wellington and the others discussed at our last meeting.

I think we need to discuss how to best approach this time crunch and find ways to effectively deal with it.

JG/kg
Alyeska\JG.MF4

9/25/90

Meeting in Denver — JEH, ACS, Pat Wellington, Lon Scatter — DGW, VCR, EAP — FG, PSB

A. Background
1. Water in crude – FBI Cleared.
2. Investigation re: Ballast water piping. Program

B. Feb. Proposal – (Feb 1990)
1. Nothing but legal means
2. Suggested – Hamel, Scott (Kelley) – as sources. – Try to determine leaks.
3. W = Wackenhut
• W formed Fla. corp.
• 1st contact – W registered at Frontier Conference in Feb. of 1990 in Alaska.
• W(Lady) + Hamel shared plane ride.
• W(man) Dr. Jenkins – visited Hamel's home in Va
• Worked his track at Va. home.
• Hamel produced some prin. leg. docs.

People in the Know
JEH, Stone Buthrick, JPW, Bowyer, Wellington's Asst, Wackenhut Sr., " Jr., " 3, " 4, Miami counsel (2), Peter James (L.A.), McClatchey firm, Karen Kelly

2nd Chem

Weak in legal?

4. Proposal re: Preliminary Risk Analysis of Valley Monitoring June – GDC memo, July – Chronology – GDC

We have the Report them.

Management Information Technology, Inc.

5. Hamel has a front Computer Co. – mail drop for cooperating individuals
• W(man) owns legal docs. at Hamel House.
• Brought Smith + Scotter into Loop

FZR000001

(2)

(6) Bad stuff on Miller
EPA - Ray Nye - Hamel intimate

(7) Should we bring Chuck Hamel as consultant to Ecolet? Decided, w/ legal advice, to do so.
- $2000 he wanted for computer program
- Have on two occasions $2000.

(8) Has he committed any crimes? Mun. Atty
" " " " civil wrong? DA atty

(9) M-C @ PSG - supplied mailing list of Algiers employers. Hamel will produce "Outsider" to send to A employers.

(10) Mr. Scott (technician @ Valley) + Mr-C (union leader @ PSG) — so far only identifiable leak.

(11) Legal involvement
- Any basis for c/a vs. Hamel?
  - Discussed in confidence w/ Rex Alson
- ATG recommended — Ed Boyko (in Alaska)

Team:

(12) Tufino - in La. - one party consent law.

FOREGOOG

(16) Tape re: Region V - Ray Hyer

(17.) Prospective Causes of Action
- RICO-type - grand jury tampering
  - extortion
  - transportation/state lines
- Civil - Inducing Breach of K.
  - Replevin/Conversion of Docs.
- Injunction

Objective: Stop leaks - by letting our folks know Re's hot.

- Drafts of complaints available.
- Not confident about sufficiency of data so far.

(18.) Where is Law Dept. "leak"? UNKNOWN
- probably Knee Reporter
- " during time of temp. workers xeroxing Algeria papers.

Implications?

How much has been spent on this to date? $80M

F2R000008

(5.)

Call off the dogs!

Summary

(1) No rationale for legal action at this time.

(2) Most serious "stolen" doc. is Chronology.

(3) Check on subpoenability of tapes

(4) Shut down operation in an orderly manner.

(5.) Get rid of Scott - based on demerits.

FBI/DOJ

9/29

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION
ATTORNEY WORK PRODUCT PREPARED
IN ANTICIPATION OF LITIGATION

File - TAPS

December 6, 1990

18970.50899

Joel McIntyre - LA

Interview with Paul Bilgore

On December 6, 1990, KT and I interviewed Paul Bilgore at the offices of Paul, Hastings, Janofsky & Walker, 555 South Flower Street, Los Angeles, California. The following is my summary of my recollection of the interview with Bilgore and my mental impressions, conclusions and opinions based on our interview and review of the file in this case.

Paul Bilgore is in-house counsel for Arco.

Paul Bilgore first heard of the investigation when Fred Smith called and invited him to the Denver meeting. Hermiller invited the big three Owners to the Denver meeting and the minority Owners were upset at being excluded. On the telephone, Smith would not explain the meeting's purpose. Smith only said that it involved a security issue and later mentioned Hamel's name.

Bilgore attended the Denver meeting on September 25th. At lunch, Bilgore and Rusnack met the Alyeska group which included Hermiller, Smith, Trotter and Wellington. The Alyeska group commented that they had about four hours of tapes and that they planned to show excerpts to the Owners at the meeting. Bilgore's impression when he heard the word "tapes" was that they were surveillance tapes of Hamel, as opposed to tapes of television shows such as "Sixty Minutes."

Hermiller introduced the Denver meeting. Wellington then took over and discussed the Wackenhut investigation in detail. Bilgore's impression was that Hermiller thought the investigation was a good idea. Wellington explained that the purpose of the investigation was to uncover leaks within Alyeska. Wellington spoke about the environmental conference in Alaska, which the Wackenhut investigator attended in order to meet Hamel. Hamel was not on the registration list for this conference, but Wellington saw him in the hotel and arranged for Wackenhut to send an investigator. On the return flight, the investigator and Hamel met on the airplane. Hamel and the investigator had a long

conversation and established a working relationship. Shortly thereafter, Hamel began meeting with Dr. Jenkins at the Ecolit office in Alexandria, Virginia.

Wellington also spoke about Hamel's documents, files and computer data. He referred to the trashing of Hamel's home. The Alyeska group believed the investigatory techniques were good ideas. Smith then spoke about three documents in Hamel's possession. One privileged document was exposed on The Scottish Eye. Bilgore cannot recall the other two documents. Someone may have taken The Scottish Eye document from Smith's desk in the legal department. Smith commented that the problem with Hamel is that he is hard to get out in the open. Smith just wanted to get Hamel under oath. Smith commissioned Peter James to research and propose a plan of action for restricting Hamel. Smith may have offered to show the Owners a complaint which James proposed. Bilgore cannot recall.

At this point in the Denver meeting, the Owners asked many questions of Alyeska. Initially they

wanted the sequence and chronology of investigation events.

The Alyeska team then showed excerpts from video tapes of conversations with Hamel. The team commented that most of the tapes' content included charges against Exxon so the Alyeska team would meet later with Exxon to view those excerpts. The tapes were very poor quality. Bilgore believes they were all made in the Ecolit office. On the tapes, Bilgore heard discussions about slop in the tanks and ships exchanging it in Long Beach and bringing it up to put through the ballast water treatment system. Hamil referred to Miller committee's counsel, Petrich, and spoke of Miller becoming head of the Udall Committee (Interior). Bilgore commented that Miller and Petrich are into Alyeska bashing. On the tapes, Hamil discussed Nye in Region 10, with whom Hamel stays when he is in town. Nye was responsible for notifying the EPA of Alyeska violations and almost precipitating a national crisis.

FOIA0004-7

Bilgore noted that throughout the meeting, Alyeska felt it had done well and was proud of its investigatory work. They hyped up the tapes as containing information which would expose Hamel and Petrich as forming a conspiracy with gross motives. However, Bilgore felt the tapes were only ramblings of a person and did not contain the information Alyeska had promised. Bilgore found the tapes disappointing.

While the Alyeska team was showing the tapes, the Owners interrupted and said they had seen enough. They wanted to talk about the investigation. The Owners wanted to know who knew the what, when and where of the investigation. The Owners did not learn anything new from the tapes and wanted to cut off the investigation. The Owner's reaction startled the Alyeska group.

Bilgore discussed the Owners' instructions to the Alyeska team at the Denver meeting. Bilgore said that Garibaldi was the most reticent during the presentation. Bilgore said that Rusnack was the most vocal about putting an end to the investigation.

Bilgore approached Garibaldi and commented that the Owners had a management problem and they should have been on top of the investigation. They did not discuss at this meeting the conversations between Hermiller and Garibaldi regarding the investigation. The Owners instructed the Alyeska team to gather all investigation material. They decided to bring it to the attention of all the Owners at an upcoming executive session.

Exxon was concerned with money given Hamel as a consulting fee. The Alyeska team said that it had sought and received assurances that the investigation was being conducted legally. Alyeska first involved Miami counsel, recommended by Wackenhut. The Miami counsel opined that unilateral taping in Virginia is legal. Bilgore commented that the Alyeska team sought counsel in planning the investigation rather than in reviewing activities already performed.

In Denver, Bilgore noted who knew about the investigation. The size of the Wackenhut team surprised him. Those in the know included two senior Wackenhut people, Wackenhut investigators, Wackenhut

counsel, Hermiller, Smith, Trotter, Wellington, Iverson, Kilty, Dossinger and Alyeska lawyers.

The night before the La Costa meeting, Bilgore spoke with Hermiller on the telephone. Hermiller told Bilgore that he had spoken with Garibaldi about the investigation. Hermiller does not recall any details of this conversation. At the La Costa meeting the next day, Williams directly asked Garibaldi whether he was in on the investigation. Before this question, Bilgore had heard nothing from Garibaldi regarding his role or knowledge in the investigation. In response to Williams' question, Garibaldi said that he had heard of the investigation but he did not appreciate its significance. Hermiller commented at the La Costa meeting or the night before that he had spoken with Garibaldi about the investigation on several occasions.

After the Denver meeting, Garibaldi, Warner and Rusnack discussed the investigation over the telephone. They decided to involve special counsel to

review the investigation. Bilgore thinks that maybe this was Exxon's proposal.

The January Owners Committee meeting at La Quinta followed The Scottish Eye broadcast. Bilgore discussed the Owners' reaction to the program. He said there was no formal discussion at the meeting concerning The Scottish Eye broadcast or leaks within Alyeska. He recalled that BP (Garibaldi) expressed negative feelings about the show, and the Owners informally discussed the leaks problem. He says that Garibaldi once mentioned this investigation to him. However, on a later occasion when Bilgore asked Garibaldi, Garibaldi disavowed any investigation.

Bilgore commented that the document exposed on The Scottish Eye was a sensitive legal document from the Valdez litigation. He said the Owners were curious about how it got out, and whether Alyeska had adequate security in its legal department. The document may have come out of Alyeska's temporary legal office. Smith was at the La Quinta meeting and commented that it would be extremely difficult to find the culprit

because of the wide dissemination of the broadcasted document among lawyers, legal staff and clients. Smith commented that an investigation would be doomed to failure. The Owners also discussed the ability of defense counsel to use the information within that exposed document.

Bilgore described Garibaldi's reaction at the Denver meeting and the La Costa meeting. He said that Garibaldi never gets too emotional. He was concerned, but not overly concerned, with the program. Harold Heinz was asked to interview as a result of this broadcast. Bilgore recalls that BP headquarters in England called BP in Alaska to learn what was happening there. He said that the Owners did not connect The Scottish Eye program with Hamel but did connect The Scottish Eye with Dan Lawn.

Bilgore commented on procedures of communication between the Alyeska President and the Owners Committee. The two presidents before Hermiller were both from BP., These presidents dealt first with the BP Owner. Rarely did they talk with non-BP Owners

instead of their own representative. However, with major issues these presidents usually consulted the big three. When Garibaldi was president, Alyeska operated on a consensus of the big three in most instances. Although any of the big three Owners could object and disagree, a consensus was usually behind every action of the Alyeska President. Bilgore does not think there are written guidelines on proper communicative procedures between the Alyeska President and the Owners Committee. He says there is much lag time between notifying the Owners and their decision-making. Therefore, the Owners Committee empowered Hermiller and Garibaldi to be more pro-active. On major issues Hermiller will talk with Garibaldi and the other big three Owners. Sometimes the discussions will be broadened if a consensus is not reached among the big three.

Joel F. McIntyre
for Paul, Hastings, Janofsky
& Walker

12-6-90 Paul Bilgore (ARCO)

1) Ask if other interview names are final
   Hermiller, Smith, Rivinak, Warner, Iverson
2) If CSJ's notes should be included

1. Thursday mtg
   S/T owners here + attys
   We plan to present a written report (w/ 90 draft, but not final product
   will ask whether owners want a written report + will make a recommendation -
   B thinks it would be useful to have a product
   Confidentiality concern - could leave copy w/ [illegible]

2. Purpose of inv
   C Owners want us to address or not
   - not concerned with 12 changes in interest rate; could at all; no recommendations but we can endorse the idea
   give advice
   - "We haven't been asked to do this but this is advice we have"
   - not to editorialize on the perf of AM, EE's
   CC wants us to confirm what happened, wants facts + what to do illegal result (ARCO doesn't want us to

[illegible]

2. The 1st PB knew of INV was circulation re
Denver mtg
Call from F. Smith
Hemmler called the big three
real upset security curious
Smith wouldn't tell him what mtg was abt
Response " its a security issue "
Thats all he'd say but eventually learned it
involved Hamel
PB called Scoop Evans (head of corp sec at
ARCO + gd friend of PW, PW used to work for
Evans.) to see if he knew of INV or mtg
relating to Hamel. Scoop said he didn't
know -C- but would find out. PB told him
NOT to but hung up + Scoop called PW
PW told PB this.
PB told Rwnack that he thought he had
booted it by telling Scoop

3. At Denver mtg 25th of Dec
Bill, PB & Atty grp (Hemm, Smith, Tighe, PW)
↳ met them at lunch (coincidence)
Chit-Chat
said they had abt 4 hrs of tapes +
were going to show excerpts to convey
impression of dep of "tapes" — PB under
stood that tapes were surveillance
tapes of Hamel &

FBI 000001

Mtg began by discussing what happened w/ Inv.
Herm introduced
PW then went into details
Herm thought it was a good idea = PB's impression
Pw explained R att leaks & security
told att assoc conference in Atl w/
Wachtler female, didn't know Hamel
would be there tlc not on registration list
but Pw saw him + got Wack person thru
On way back they met
Hamel was a fountain of info + estate
all w/female
Hamel began mtg w/ Dr. Jenkins in Off
est'd in Alexandria, VA
Talked att Hamel's docs, files, computer
data info in " possession
Train rummaging: Burgled but they
thought it was gd
Owens asked Q's after all this + wanted
sequence / chronology
Smith spoke abt 3 docs
1) The Scottish Eyle doc
2) Trivial, innocuous stuff, can't recall
3)
Thought someone took it from his desk
in legal dept.
→ Prob w/Hamel is that you can't get him out in
the open + under oath
Fed Smith emp'd (combined) P. James

to see what we could do w/ Hamel
~~Jaime~~ Smith may have offered to show
them a proposed complaint

Then videos show
They said much of tapes v against Exxon
+ they could meet later for that
SC some excerpts show owners
→ very poor tapes
→ all tapes in Exclit office as far as he knows
→ Content · slops in tanks + ships exchanging it in Long Beach + bringing up to put through ballast system

Talk of Petricle, Nye in Regent C w/ Miller's friend talk of Miller becoming head of Idaho Committee (Interior), into Ally-bashing

SI Vice Exxon → stays w/ Hamel w/ ~~other~~ others in touch + keep for notice of for violation which almost precipitated natl conference from enemy of Ally

Up to this pt Ally felt it had done well + to really exposed some Hamel-Petrick conspiracy & gross matters
But tapes were only ramblings of [illegible]
+ did not have what the Ally people [illegible] they did. Tapes = disappointing

Owens ~~he~~ saw enough + wanted to talk abt inv
Who knew what, when, where
Owens didn't learn anything new from tapes
Concern abt cutting off this inv

~~Even after tapes stopped~~, Alq/Nwas started by GP
CC reaction after tapes

CC instructions
Garibaldi was most reticent (quiet during what abt inv thing
Bull most vocal abt stopping it
PB appreciated Gari + said we have an ingenious pict + Owens should have been on to of it
No conversation abt return - Gari talk
last until night before La Costa mtg
Helm on phone told PB that had spoken to Gari)
(Williams asked Gari directly at Owens mtg whether he was in on it)
(mtg night before mtg abt how to hand executive session) no details recalled
(didn't hear anything from Gari until Williams's C - Yes I'd said of it but I didn't appreciate its significance Helm says we spoke w/ Gari on several occasions > so he said at La Costa mtg or night before
— instructions to gather all material

bring to attn of all owners at upcoming executive session
Go to special counsel subsequently discuss
① t/ Rus, Warner, Gari on phone
Maybe it was Exxon's proposal

Ltr Sept 25 mtg were all Atty people in agn
d proud of what they'd done - yes.
We have something we can use attitude

Exxon concerned w/ $ passed to Hamel as
consulting fee.

Talk att assurances Atty constantly sought
that it would be done legally.

Lawyers involved
Miami counsel ~~did research~~, gave opn
to effect that LA was OK place to do
unilateral taping
- Counsel part of planning process rather
than after-thought review

Who knew - Wack grp was large
= 2 on Wack group
investigators
lawyers
4 Atty + Dietrich + Iverson + Kuntz +
Dessinger + Lawyers of Atty

FAR000016

Jan CC mtg (IGGC) La Quinta
mtg followed Scottish Eye
How the owners reacted + their discussion re
that program + talks . . .
-C- discussion in formal mtg re any of the
He recalls that BP (Gail) was expressing
bad feeling abt show + lots of talk abt bad.
He had impression that BP was involved
but -C- turned up Gail now says BP
was did not do such an inv. (does not recall
saying that + disavowed any inv.)
does not recall if that happened at mtg
dcc involved in sensitive validez ltrg
People curious abt how it got out
No formal discussion
Concern whether any had adequate sec
of docs But C abt where it came
from. Maybe be more secure abt
its temporary legal office
Smith was there. ~~He said~~ He said it
> could have come from Exxon advise
Committee.
Difficulty of finding real culprit dic &
wide dissemination of doc among
Ps, legal staff + clients
Conceded that such an inv would be
doomed to failure
Talk abt ability of defense counsel +
use that info

Gautaldi describe his reaction to program
- o- special, never gets too emotional
- not overly concerned w/program but concerned (all of BP concerned) (Harold Heintz was asked for interview)
- headqtrs from BP in Eng called Alaska BP to find out what is happening here
- no recall of contacting Scottish Eyre w/Hamel did Dan Lauer w/ it

In terms of "normal" procedure in comm b/Heinz
CC
u. to big 3 chairmen owners } he does not have a sure-fire correct answer. Doesn't think there's a procedure spelled out Pres of Hlq (last 2 have been BP people) deal first w/ their own owner rep Unusual to talk -- other owner rep's rather than their own
CC
- Empowered Heinz + BP to be more proactive b/c to get owner comment/approval takes awhile
- Major issues Heinz ≡ Big Three
  + sometimes broadened if couldn't get a Consensus . . .
- Much politicing in interim b/ advising + CC
- Usually Hlq operates on consensus of 3 (as Gari did) but recently (2-3 mos) Exxon voted no to big issue

usually gets consensus

F2R603015

~~In Denver~~ ~~at Ecr 3 mtg~~ ~~was~~ Gail as surprised as Alice + Exxon people at news of the INV

Gail should have alerted everyone that he'd heard of it : impression of PB (as he did at La Costa mtg)

But he's not a vociferous person

he was not leading the play (in reaction)

it was a common instinct by Rice, Bilger, + Warren 1st

~~BF~~ PB's impression

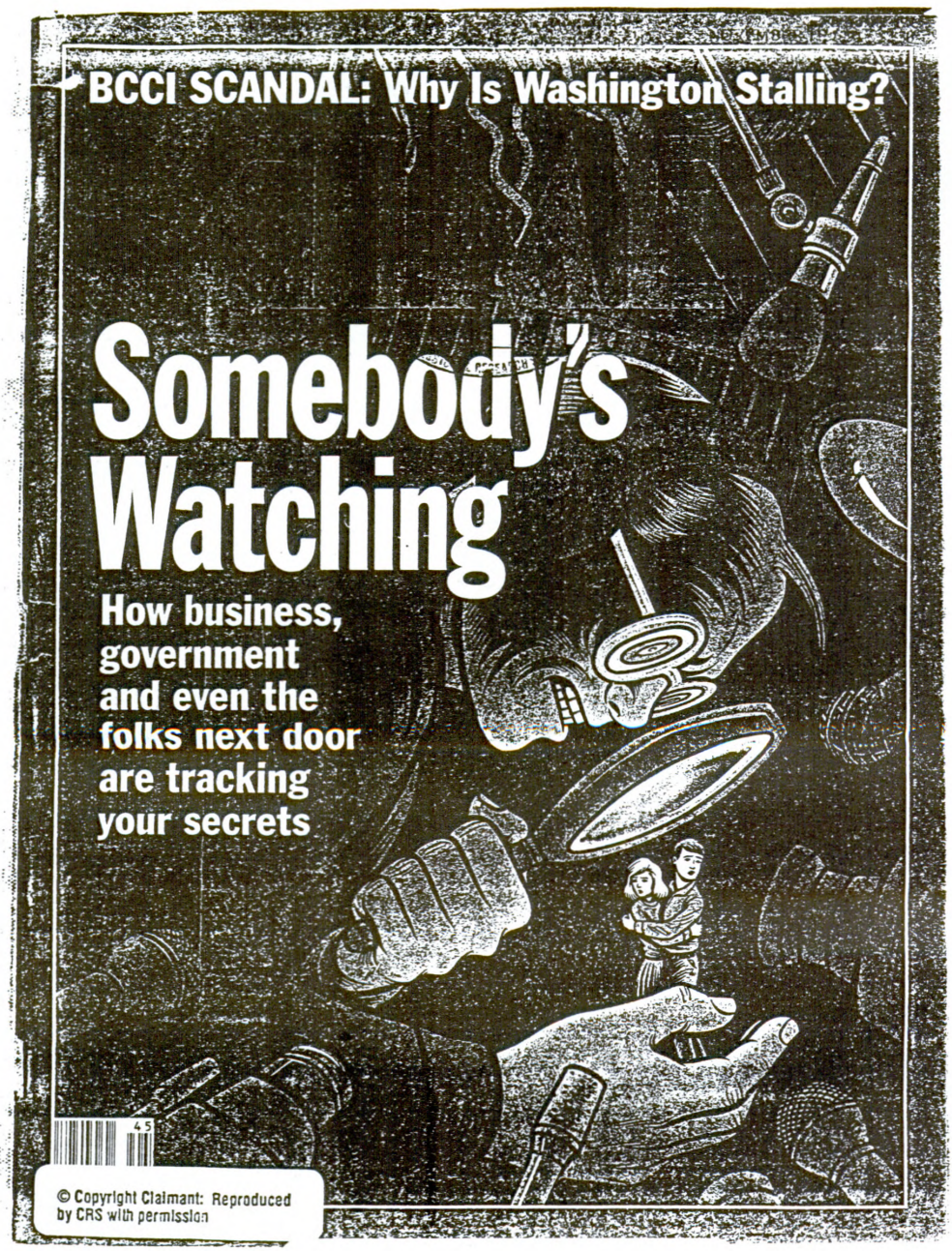
Williams = 2 for Leon Hess

vocal at 1st mtg

May have some info

Unvocal - B Thacher will be here

Hoffman / Schneider won't be here


BCCI SCANDAL: Why Is Washington Stalling?
Somebody's Watching
How business, government and even the folks next door are tracking your secrets
45
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TIME/NOVEMBER 11, 1991

COVER STORY

Nowhere To Hide

Using computers, high-tech gadgets and mountains of data, an army of snoops is assaulting our privacy

By RICHARD LACAYO

Open up in there. The census taker wants to know what time you leave for work. Giant marketing firms want to know how often you use your credit cards. Your boss would like your psychological profile, your bill-paying history and a urine sample. Is that enough to make you feel like hiding in a corner, muttering to yourself about invasions of privacy? Forget it—the neighbors might be videotaping.

Though the word privacy does not appear in the Constitution, most people would probably agree with the great Supreme Court Justice Louis Brandeis, who once identified "the right to be let alone" as the prerequisite of a tolerable life. But the fundamental instinct to shield one's personal affairs from the eyes of outsiders is always under pressure from the no less venerable human urge to pry—and the snoops just may be getting the upper hand these days. Items:

►In June executives of the Procter & Gamble Co. in Cincinnati complained to police that company information was being illegally leaked to a reporter. To identify the source of the leak, Cincinnati Bell, acting in response to a grand jury subpoena, searched the phone records of every one of its 655,000 customers in the 513 and 606 area codes. P&G executives later conceded that the investigation was an error in judgment.

►Public uproar forced Lotus Development, a software manufacturer, and Equifax, a company that compiles financial information about individuals, to shelve their scheme to market a data base that would have allowed anyone with a personal computer to purchase a list of names, buying habits and income levels of selected households. The system would have permitted small businesses such as dry cleaners, pharmacies and pizza take-out restaurants to get a bead on their local customers.

►The Employers' Information Service, a company based in Gretna, La., is creating a massive data bank on workers who have reported on-the-job injuries. For a fee, employers can request a report on prospective employees, including a history of prior job injuries and a record of worker's compensation claims and lawsuits. To keep from being added to other data banks, workers in Idaho are suing that state's industrial commission to prevent it from releasing such records.

It may be customary to think of threats to privacy in Orwellian terms, with an all-seeing Big Brother government as the culprit. But lately the threat comes no less from private companies, private citizens—and from our own imperfect notions of how to define which matters are properly kept confidential. The powers of government are fashioned under the pressure of society's own values and expectations. Lately those values have been in flux.

From the quiet frontiersman to the modern urban loner, the archetypal American is someone whose most sacred territory is the portable enclosure of the self. But if "Mind your own business" has long been a prime tenet of the national philosophy, "Let it all hang out" is now running a close second. It's hard to find a national consensus on confidentiality in a nation of tell-all memoirs, inquiring pollsters and talk shows—not to mention televised Senate hearings—whose participants air explicit sexual details that would have caused earlier generations to blush and turn away.

As the bounds of privacy dissolve under the demands for frankness, they also bend before the pressures for AIDS testing, drug testing and now even genetic testing, which promises to predict each person's inherited susceptibility to certain illnesses but could also create a pariah class of people that employers would regard as too prone to cancer, heart disease or other ailments. Into this volatile mix of half-formed attitudes and sharply felt anxieties, technology has arrived with a host of unprecedented temptations. Many new answering machines are equipped to surreptitiously tape whole conversations. Video-surveillance cameras quietly scan many workplaces. Neighborhood retailers now stock hardware that used to be the stuff of spy novels. But by far the most important high-tech threat to privacy is not an exotic surveillance device but a familiar storage system: the computer. Computers permit nimble feats of data manipulation, including high-speed retrieval and matching of records, that were impossible with paper stored in file cabinets. They have turned data collection into a $1 billion-a-year industry—one in which nearly every American supplies the data, often without knowing it.

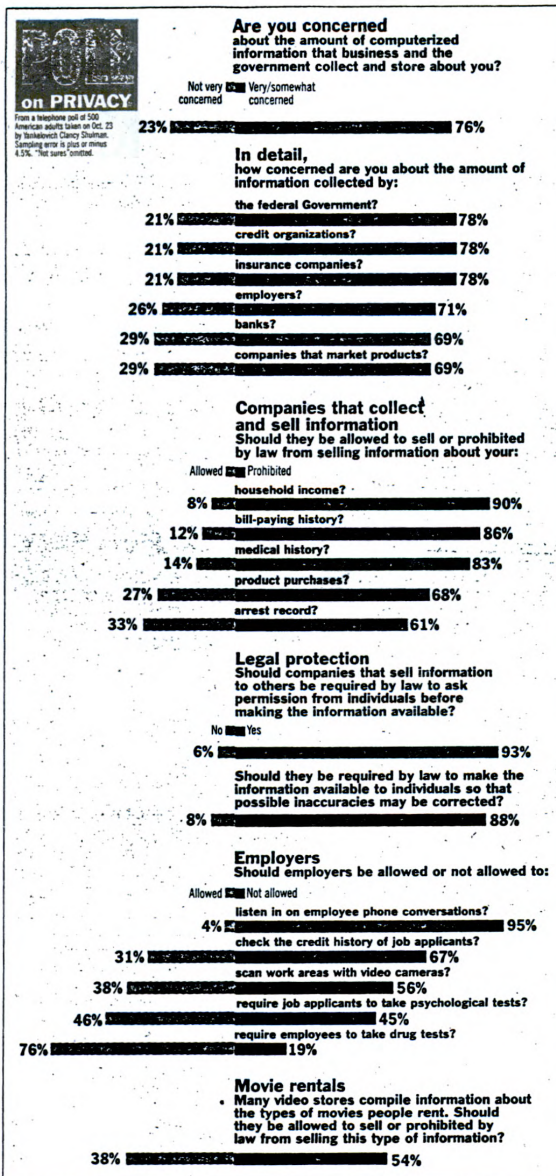
To get a driver's license, a mortgage or a credit card, to be admitted to a hospital or to register the warranty on a new purchase, people routinely fill out forms providing a wealth of facts about themselves. Little of it remains confidential. Personal finances, medical history, purchasing habits and more are raked in by data companies. These firms combine the records with information drawn from other sources—for instance, from state governments that sell lists of driver's licenses, or the post office lists of addresses arranged according to ZIP code—to draw a clearer picture of an individual or a household.

The repackaged data—which often include hearsay and inaccuracies—are then

Illustrations for TIME by Charles Burns



COMPUTERS HAVE TURNED data collection into a $1 billion-a-year industry that gathers financial records, medical history and other personal information—even the record of every credit-card purchase. The data are then sold to marketers, mortgage lenders, small businesses and individuals.



sold to government agencies, mortgage lenders, retailers, small businesses, marketers and insurers. When making loan decisions, banks rely on credit-bureau reports about the applicant's bill-paying history. Employers often refer to them in making hiring decisions. Marketers use information about buying habits and income to target their mail-order and telephone pitches. Even government agencies are plugging in to commercial data bases to make decisions about eligibility for health-care benefits and Social Security.

"In the not too distant future, consumers face the prospect that a computer somewhere will compile records about every place they go and everything they purchase," says Democrat Bob Wise of West Virginia, who heads the House subcommittee that oversees the government's use of data. "I'm not sure this is the vision of the future that will make Americans comfortable."

Because computer information is stored on small disks, it tends to be more enduring than paper records of old, which had to be discarded from time to time to make room for new files. As a result, long-ago personal setbacks can now embed themselves in the permanent record. Two influential trade groups, the American Business Conference and the National Alliance of Business, have even joined with the Educational Testing Service, which conducts the Scholastic Aptitude Tests, in creating a pilot program for a nationwide data base of high school records. It would give employers access to a job applicant's grades, attendance history and the ancient evaluations of teachers. Just like Mother warned you—a ninth-grade report card could follow you for life.

Privacy watchdogs are warning that the combination of invasive technologies and lax laws threatens to make the U.S. a nation of people who live in glass houses, their every move open to scrutiny by outsiders. "I see no reason why McDonald's needs to know my Social Security number or my previous job title," complains New York Law School professor E. Donald Shapiro, a privacy specialist. "The danger is not that direct-marketing companies will clog your mailbox or call you during dinner to hawk commemorative coins," says David Linowes, former chairman of the U.S. Privacy Protection Commission. "The danger is that employers, banks and government agencies will use data bases to make decisions about our lives without our knowing about it."

At the same time, privacy is not an absolute value. With U.S. banks being used as a conduit for drug money, for example, law-enforcement officials have pressed them to report any suspicious movement of cash. Though that may involve a conflict with traditional notions of banker-client confidentiality, many banks have been willing to comply. "The social value of helping to fight drugs outweighs, at least to some extent, the privacy issue," says Jack Kil-

hefner, senior vice president at Wells Fargo Bank in San Francisco.

Business groups also argue that banning the sale of their customer data violates property rights. "The agenda of the privacy types is anti-technology, anti–free speech and anti-business," says Robert Posch Jr., vice president of legal affairs for Doubleday Book & Music Clubs and a leading defender of data collectors. "They're trying to play on the public's fear of computers and having their names on lists. But a computerized data base is only a file cabinet that's faster."

In the same sense, a car is just a buggy that goes faster—and yet the automobile revolutionized society. Data collection is doing the same. A number of catalog retailers and financial companies now make use of a business version of Caller I.D., a service offered by some phone companies, that lets them see the name, phone number and credit history of customers who call them. Once a company possesses a caller's name and address, it can dig up even more by linking with hundreds of data banks that also have the name on file. A phone number alone is so valuable to telemarketers that some companies advertise free phone-information lines as bait to gather numbers.

Three giant credit bureaus—TRW, Equifax and Trans Union—dominate the consumer-data industry, which also includes about 450 smaller outfits. Every month the Big Three purchase computer records, mostly from banks and retailers, that detail the financial activity of virtually every adult American. TRW and Equifax each have 150 million individual files. According to a report in the *Wall Street Journal*, anyone who applies for a credit card is listed on Equifax's "credit-seekers hot line," a popular buy for marketers, while the Bankcard hot line at Trans Union lists all credit-card purchases.

The Big Three credit bureaus argue that their products do not disclose truly confidential details. But until recently, for instance, Equifax sold lists of consumers who used their credit cards more frequently than the average. Combining that with census data, the company then used a statistical model to estimate the general range of each card user's income, though not to specify the actual amount. "We would not disclose a person's total balances or how much credit they have available in absolute dollar terms," says John Baker, senior vice president of Equifax, which serves 60,000 business customers and whose profits for credit reporting and information packaging last year totaled $366 million.

That practice proved too controversial, and this summer Equifax got out of the business of selling direct-marketing lists based on its credit files. But smaller data banks have been breaking down figures to offer for sale such tidbits as the location of nearly every household in the U.S. that recently brought home a newborn child. For about $25 to $95 a month, plus search charges, customers of Information America, an Atlanta-based company, have access to profiles of 80 million households. By typing a name into a home computer, a subscriber can obtain that person's address, phone number, length of residence, records of property ownership, court appearances and business dealings. Some smaller outfits also have a reputation for selling personal data to people who may have no business seeing it—everyone from private investigators to bill collectors and spurned lovers.



HIGH-TECH SNOOPING GEAR and confusion about the reasonable bounds of privacy have combined to make everyone more vulnerable to intrusions upon personal affairs.

Critics also charge that data collectors are deceptive. Few people realize, for instance, that when they fill out a product-warranty card, the information goes to a little-known data seller called National Demographics & Lifestyles. "People fill out product cards because they want the warranty," says Marc Rotenberg, Washington director of Computer Professionals for Social Responsibility. "But they end up on the mailing lists of stereo and record companies. Was that part of the stated bargain when they filled out the card?"

For marketers, detailed consumer profiles are an unmixed blessing, making it far easier to target the households most likely to welcome their mail-order catalogs and other pitches. Direct marketers were once happy if just 1% of recipients responded to a mass mailing. A 5% response is now more common, which the marketers argue indicates that consumers are happier too. "We're matchmakers for parties with common interests," says John Cleary, president

of Donnelly Marketing, one of the nation's largest list compilers. "We make sure companies don't try to sell lawn mowers to people in high-rises."

Each of the Big Three also operates a separate unit that compiles credit reports detailing the bill-paying history of nearly every American. The reports are sold to mortgage lenders, credit-card companies and anyone else who can show a "legitimate business interest." The Big Three argue that their service is essential to the workings of credit-card and loan industries that most Americans could not do without. But their critics complain that the reports are frequently riddled with errors and that it is difficult and expensive for consumers to correct or even know about them. Earlier this year Consumers Union reported that nearly half the credit reports it studied from the nation's largest credit bureaus contained some inaccuracies.

Eugene N. Wolfe, a retired speech writer who lives in McLean, Va., knows all about that. In 1986 he was puzzled when a local bank turned down his loan request. To his horror, he discovered that for years an Equifax subsidiary called Credit Bureau, Inc., had merged his credit history with that of another Eugene N. Wolfe, who had a raft of debts. After weeks of conversation and paperwork, Wolfe thought he had cleared up the problem—until last year, when he was turned down for a credit card and discovered that information pertaining to the other Eugene Wolfe had found its way back into his file.

"At one time I had to pay the highest interest rate on a car loan because the dealer was looking at bum debts that were erroneously listed in my name, but I didn't know it," Wolfe complains. "It makes you angry." Equifax contends that his case was unusual and that the company has recently adopted new software intended to reduce the likelihood of such confusion.

The issue of faulty reporting came to a head in July, when the attorneys general of six states—Alabama, California, Idaho, Michigan, New York and Texas—brought suits against TRW's credit-agency operation, accusing it of violating consumer privacy and failing to correct serious reporting errors. The company filed countersuits in federal court arguing that the federal Fair Credit Reporting Act of 1970 supersedes state law. But recently TRW also announced that it would supply consumers on request with free copies of their own credit files, instead of charging up to $20 a copy. Trans Union and Equifax declined to follow suit, arguing that providing free reports would be too expensive. Equifax executives argued that there was no great consumer demand for cheaper reports.

The pressure on the companies seems likely to increase. On Capitol Hill, the House has before it legislation that would require written agreement from consumers before information about them is released by a bank, credit bureau or other institution. Credit agencies oppose the bill, along with another introduced by California Representative Esteban Torres that would update the Fair Credit Reporting Act, which gave consumers the right to see and, if necessary, correct their credit records. That bill would require all credit agencies to send consumers, upon request, one free copy of their report annually, as TRW has voluntarily agreed to do.

While data bases are an almost hidden threat to privacy, American workers are also finding themselves up against more visible measures to probe them and keep them under watch. When Sibi Soroka interviewed for a job as a security guard in April 1989 at a Target store in Pleasanton, Calif., he was asked to take a three-hour written psychological test. The interviewer told him that it would assess Soroka's ideas about the world of work. Soroka was stunned to discover that many of the true-false questions on the test centered on sex, religion and political beliefs. "My sex life is satisfactory," read one. "I believe in the second coming of Christ," read another.

DO-IT-YOURSELF ESPIONAGE

Pssst. Want a briefcase that conceals a tiny video camera? How about a mini tape recorder that has a pinhead microphone disguised as a tie tack? You don't have to buy this stuff in a back alley. Just head over to your local CCS Counter Spy Shop, a chain with retail outlets in New York City, Houston, Miami and Washington that specializes in high-tech snooping gear. According to Tom Felice, sales manager for the New York City store, clandestine recording devices are the biggest sellers. "The more discreet they are, the more popular," he says. "There are a lot of paranoid people out there." Enough for the industry to claim total sales last year of $200 million.

Counter Spy is not alone. Other big electronics retail chains and smaller mail-order outfits are also bringing élite snooping into the mass market. New Jersey–based Edmund Scientific sells an electronic microphone for $625 that it claims can "pull in voices up to three-quarters of a mile away." Life Force Technologies in Colorado sells a briefcase with a hidden tape recorder for $1,195. "Invading someone's privacy has become as easy as walking into your local electronics store," complains Morton Bromfield, executive director of the American Privacy Foundation, based in Wellesley, Mass.



KEITH FOX/TIME

An array of citizens' spy gear

Many of these products can be used in ways that are not just obnoxious but illegal. For instance, federal law prohibits the taping of telephone conversations unless at least one of the parties on the line knows that the conversation is being recorded. But so long as retailers remain unaware of—and don't ask about—the potentially illegal purposes that a customer may have in mind, they cannot be held liable. Nine years ago, Radio Shack's parent company, Tandy Corp., was sued by Elizabeth Flowers, a South Carolina woman whose husband used a miniature recording device to secretly tape her phone calls after she filed for divorce. Lawyers for Radio Shack successfully argued that the company had no responsibility in the matter because it did not know what her husband planned to do with the device. "There would be nothing left to sell if we withdrew all the products that might be used illegally," says Robert Miller, a Radio Shack vice president. Besides, he adds, with unintended irony, it is not the company's business what customers do with the products "in the privacy of their own homes." But if the use of such devices becomes widespread, there may not be much privacy left at home—or anywhere else. ***—By Richard Lacayo. Reported by Thomas McCarroll/New York***

"I was astonished at how intrusive the questions were," he recalls. "But I needed a job." Though Soroka received a job offer after completing the test, he filed a class action against Target in September 1989. His suit is believed to be the first major court challenge to the increasingly common use of psychological testing as a condition of employment.

Defenders of the tests say they are needed for such workers as armed security guards, one of the few kinds of employees that Target subjects to the examination. "When we entrust individuals with weapons to protect the public, I think it's important to assess their emotional stability," says James Butcher, a psychology professor at the University of Minnesota who helped revise the Minnesota Multiphasic Personality Inventory. An earlier version of that test provided many of the questions that were asked of Soroka. The revised version eliminates some of the inquiries about religion and sexuality.

Opponents of psychological screening say it is not only invasive, it's ineffective. "It just isn't the exact science people pretend that it is," says Lewis Maltby of the American Civil Liberties Union in New York City. "We have some ability to identify people who are potential thieves by a written psychological test. If you were to test 100 potential employees, you could probably catch 8 of the 10 thieves. But the only way you could do it is by rejecting 50 of the 100 people. So to catch 8 guilty people, you're denying a job to 42 innocent ones."

Surveillance at the workplace is also a concern for an increasing number of jobholders. Drug testing is just the most publicized variety. One increasingly common tactic is to listen in on employees who deal with the public over the phone. Reservation clerks, phone-company operators and anyone who takes phone orders for catalog companies and telemarketers are all likely to be monitored. So are the customers they talk to. The Communications Workers of America, a union active in the fight against such surveillance, estimates that 6 million American workers are subject to monitoring. Surveillance at BellSouth, a group of phone companies in a nine-state Southern region, is typical—about two to five calls a month for each service representative and 30 a month for each operator, less than 1% of all the calls they handle.

Employers say monitoring is both legal and necessary to measure productivity and ensure that their telephone representatives are accurate and courteous in their exchanges with customers. Privacy and labor experts largely concede that employers have a right to monitor workers as part of training and supervisory functions. What they question is the value of employee surveillance—and the acceptable limits. "Supervisors have said to me, you're being too friendly, your voice sounds too sexy on the phone," claims Shirley Webb, a Southern Bell service consultant.



JOB APPLICANTS are ever more subject to physical and psychological tests, while many employees are the targets of employer eavesdropping and other forms of surveillance.

Barbara Otto, a director of 9 to 5, National Association of Working Women, a Cleveland-based women's advocacy group, says such monitoring can backfire. Telephone operators who are penalized for taking too much time with inquiries already tell of cutting short customer calls. At the same time, the personal calls of employees pass through the monitor's earphone. "Employers start catching non-work related information," Otto complains. "They discover that employees are spending weekends with a person of the same sex or talking about forming a union."

The House and Senate have before them bills that would require a visual signal or audible tone on the line when monitoring is going on. Among the leaders in the fight against them has been AT&T, which lobbied successfully to kill one such bill in Virginia. "Factory supervisors don't blow whistles to warn assembly-line workers they're coming," says an AT&T official.

Inevitably, Americans have been looking to Congress to resolve the questions concerning privacy. One irony is that the Federal Government is the nation's largest data compiler. At last count, in 1982, it possessed more than 3.5 billion files on individual Americans—an average of 15 per person, with more sure to come. Much of the data consists of uncorroborated information and hearsay, which could be potentially damaging to individual rights if it fell into the wrong hands. While the FBI has

shelved plans to build a national computer bank that police could use to keep track of criminal suspects, it is still creating a data base on the 25 million Americans who have ever been arrested, even if they were not convicted. Meanwhile, the census is not just counting heads but peeking inside them. Instead of the usual short forms, 17% of all households last year received a longer questionnaire that asked such questions as How long is your workday commute? and How many people travel to work with you? Names of all individuals will be removed from the census files before the information is stored on personal-computer disks that marketers can buy.

Because the forms of privacy intrusion are so numerous and varied, no single remedy applies to them all. Congress is soon expected to tackle one of the most jolting new developments in telemarketing: the automated dialing machines that can call every number in a telephone exchange, one after another, to make prerecorded sales pitches. Over the objections of civil libertarians, who say the machines are protected by the constitutional right of free speech, both the House and Senate are considering measures that would ban or severely restrict the use of autodialers for most calls to private homes.

In response to a problem that lies closer to home, several lawmakers have proposed legislation to beef up the 1974 Privacy Act, the federal law that defends citizens from government misuse of data. Enforcement is haphazard, and loopholes permit agencies to stretch the law. Though the act would appear to forbid it, agencies exchange information on individual citizens in the name of detecting waste, fraud and abuse of benefits. They claim that such exchanges are legal on the ground that the disclosures are "compatible" with the purpose for which the data were collected. Under that loose standard, tax returns are compared with welfare rolls or lists of student-loan recipients. That might seem justifiable in a time of tight budgets, but the precedent it sets for going around the law could encourage more ominous practices, such as using the records of people in drug-treatment programs to search for possible criminals.

West Virginia Democrat Bob Wise, chairman of the House subcommittee on government information, has gone further. In November 1989 he introduced a proposal to create a federal data-protection board to ensure that personal information in government computers is not abused. Demanding more sweeping action, privacy advocates want Congress to regulate private companies' use of data by requiring consent for the use of information and strict controls over its accuracy. They also call for the creation of a privacy ombudsman, like those in Canada and Australia, who can aggressively defend consumer interests.

Gary T. Marx, a professor at the Massachusetts Institute of Technology who specializes in privacy issues, even wants Congress to establish a royalty system to compensate individuals—or consumers en masse—whenever personal information about them is sold. "If we are to treat personal information as a commodity," he wrote recently, "it seems only fair that those to whom it pertains ought to control it and share in financial gain from its sale."

If nothing else, that scheme would have the virtue of framing what can be a metaphysical problem in simple market terms: Just what price do we put on privacy? No one can answer that question who has not sorted out the issues of how much privacy we need and how much we are willing to give up in exchange for things like convenience shopping, job opportunities, law enforcement and higher productivity. For unlike the nightmarish Big Brother world of Orwell, the question of how much privacy Americans preserve will depend more on the values of the people than the whims and dictates of government. ***—Reported by Tom Curry/Atlanta, Thomas McCarroll/New York and Dennis Wyss/San Francisco***

NOW WE'VE REALLY GOT YOUR NUMBER

The new phone service known as Caller I.D. is a double-edged sword: it protects the privacy of some people, but at the expense of others. For about $6.50 a month, plus a one-time equipment charge of $45 to $80, customers get an electronic screen that displays the phone number of every incoming call. First offered four years ago in New Jersey by New Jersey Bell, Caller I.D. is now available in 20 states and under consideration in 13 others.

Caller I.D. is being touted as a way to combat obscene and annoying callers. It also gives florists, pizza shops and other delivery businesses a way to check that incoming orders are not pranks. Phone companies have been promoting the service as an electronic version of the peephole that lets apartment dwellers see who is knocking. "Caller I.D. protects subscriber privacy because it lets subscribers decide who to let into their house," says A. Gray Collins, a Bell Atlantic executive vice president.

But it also diminishes the privacy of callers. Some businesses use a commercial version of Caller I.D. that quietly displays the phone number of people who inquire about products, investments or insurance. The numbers can then be used to obtain other information about individual customers from consumer data bases. Privacy activists are also worried that the prospect of having phone numbers revealed will discourage anonymous police tipsters and callers to telephone hot lines that serve drug abusers, runaways and other people in trouble. Says Janlori Goldman of the A.C.L.U.: "The danger of Caller I.D. is that people lose control over when and to whom to give their telephone numbers."

Several states, including California, New York and Pennsylvania, have taken steps to prohibit Caller I.D. unless phone companies offer customers the ability to block their numbers from being displayed at any time. To pre-empt further moves by the states, the Federal Communications Commission has proposed that callers be allowed to block the display of their numbers on individual calls but not be able to demand that the phone company automatically block their numbers from being displayed at any time. The conflict may have to be resolved in the courts or Congress. The Senate has before it a bill that would permit the per-call restrictions proposed by the FCC. The House is considering a version that would allow the broader limits favored by some states. Telephone-company executives expect the two measures to be reconciled by the end of the year. ***—By Richard Lacayo. Reported by Jerome Cramer/Washington***



JAMES KEYSER FOR TIME

A telephone with Caller I.D.

Att 3 (L)

Anchorage Times
Wednesday 8/17/88

EPA completes Alyeska probe after 3 years

By BOB ORTEGA
Times Writer

The Environmental Protection Agency is closing the book on a 3½-year investigation of wastewater problems at the Valdez terminal of the trans-Alaska Pipeline.

The EPA formally notified the Alyeska Pipeline Service Co. Monday that it plans no further enforcement actions against the company.

"What we've told them is that basically the problems have been taken care of, or that we were unable to substantiate the allegations," said Harold Geren, head of the water permit division at EPA's regional office in Seattle. That division has been working on a long overdue new wastewater discharge permit for the Valdez terminal.

"The bottom line is we're very pleased with the EPA findings," Alyeska vice president Ivan Hanman said this morning. "It confirms what we've been saying all along, which is that the ballast water treatment plant is operat-

See Alyeska, page A-7

Alyeska: Problems solved

Continued from page A-1

ing as it should be, and that no problems exist with the plant."

The EPA investigation was triggered by allegations, first raised by Virginia oil broker Charles Hamel, that Alyeska had discharged millions of gallons of toxic wastewater into Port Valdez.

Although the EPA did turn up numerous problems, Geren explained that many of those were taken care of after the agency issued a compliance order in November 1985.

He said that any remaining concerns will be taken care of by the new wastewater permit, now expected in late September or early October.

In a letter to Alyeska president George M. Nelson, EPA regional administrator Robie Russell detailed the agency's conclusions on eight allegations. All concerned a treatment system meant to handle millions of gallons of oily wastewater carried as ballast by oil tankers arriving at the terminal.

The conclusions, as stated by the agency:

• The EPA found no written evidence that Alyeska had intentionally disconnected or altered monitoring meters to hide the the volume of discharge, "although we did find that the meters were often out of service or just inaccurate," Geren said.

A back-up system was functional, and provided data acceptable to the EPA.

• While Alyeska routinely had used the wastewater system to dispose of toxic or hazardous oil-based substances from other parts of the plant, that practice stopped after the 1985 EPA order.

• While Alyeska routinely recycled oily sludge through the treatment system, even after directions from the state not to do so, the company stopped that practice after the 1985 EPA order.

Hanman said the company disputes EPA's definition of sludge, but agreed to cooperate anyway.

• Alyeska had used improper sampling and analysis techniques to monitor the level of pollution, and of permit violations, resulting in inaccurate figures being reported to the EPA. But the agency did not substantiate allegations that the results were intentionally falsified, and there have been no problems since Alyeska improved its testing program in late 1985.

• There was no written evidence to show that Alyeska knowingly allowed oil tankers to dispose of ballast water allegedly contaminated with toxic chemicals. The new permit will require tanker captains to certify that the water contains only oil residues.

• Concerns that Alyeska was moving ballast water through the plant too quickly for proper treatment were addressed through the 1985 EPA order.

• The EPA concluded that Alyeska properly reported unauthorized discharges or overflows to the Coast Guard and to Alaska's Department of Environmental Conservation, but said the company should have reported those to the EPA as well.

The two reported overflows occurred more than four years ago; neither overflow spilled into the port, Hanman said.

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12 THE WALL STREET JOURNAL WEDNESDAY, MARCH 6, 1985

U.S. Probes Charges of Improper Billing Of Buyers of Alaska Pipeline Crude Oil

By Alan Murray
Staff Reporter of The Wall Street Journal

Federal and state officials are investigating allegations that some crude-oil buyers have been improperly billed for excess water shipped through the Alaska oil pipeline.

An independent oil broker who claims he lost money by arranging sales of Alaskan crude oil cargoes that turned out to contain excess water has made the allegations in a case pending before the Alaska Public Utilities Commission. Commissioners have launched a formal investigation and ordered the oil companies that own the pipeline to respond to the charges.

The broker, Charles Hamel of Alexandria, Va., has submitted statements from several former pipeline employees, alleging that improper or faked tests were used to determine the water content of oil flowing from Alaska's rich North Slope to the pipeline tanker terminal in Valdez, Alaska.

Mr. Hamel contends that pipeline officials violated their tariffs by routinely shipping crude containing higher than allowed traces of water. The commission has allowed Mr. Hamel to intervene in a proceeding in which the pipeline is asking state approval to increase the maximum allowable traces of water and other contaminants in the crude.

Overcharge of U.S. Studied

Meanwhile, some Energy Department officials and aides to the Senate Energy Committee also are investigating whether the government's Strategic Petroleum Reserve may have been overcharged when it bought some Alaskan crude. These officials have asked for detailed technical information and documents from the companies.

The owners of the pipeline deny that they violated any regulations, faked test results or participated in overcharging Alaskan crude customers. The companies have asserted in filings with the commission that the allegations are based on mistaken legal concepts and "erroneous assumptions" about pipeline operations and are "motivated mainly by a desire to harass or embarrass" them.

Atlantic Richfield Co., for example, unsuccessfully urged the commission last summer to dismiss Mr. Hamel's complaint on procedural grounds because it failed to demonstrate "general public harm" from the alleged violations. Exxon Corp. has argued in filings that Mr. Hamel's allegations don't merit investigation because he doesn't have the necessary legal standing and the complaints are "misdirected" and unsubstantiated.

Officials at Alyeska Pipeline Service Co., which operates the pipeline, weren't immediately available for comment.

But in a strongly worded order issued last week, the commission said that the evidence introduced by pipeline critics is "serious and substantial enough" to require detailed explanations and possibly refunds to shippers, although the commission hasn't determined whether violations occurred.

Specifics of Testimony

Testimony presented in the case includes:

—Allegations by two former pipeline laboratory technicians that faked test results often were used to show the water content of the oil shipped through the system from 1979 and 1982. The two technicians told the commission they were ordered to repeat tests and were given interstate oil samples until they got the required water-content results, that some test records were altered and that some of their supervisors at the Valdez terminal were aware of and encouraged such behavior.

—Allegations by retired Coast Guard commander James Woodle, port captain of the marine terminal at Valdez from 1982 to 1984, that many ships "were reporting water significantly in excess of that" recorded by the pipeline tests. Mr. Woodle contended that, among other things, in some cases "problem areas were masked and records modified" by pipeline officials.

—Allegations by Philip Nicpon, a former chief chemist at the North Pole Refinery in Alaska that the level of water in the North Slope crude regularly purchased by the refinery was "significantly" higher than the official test results showed.

FBI Probe

Documents gathered by congressional investigators show that before the recent statements from witnesses, the Federal Bureau of Investigation looked into Mr. Hamel's allegations and determined there wasn't evidence of criminal fraud. But the FBI didn't make a determination about potential civil violations and didn't review the pipeline's overall compliance with state and federal regulations, the records indicate.

The state commission, which has jurisdiction only over the small amount of North Slope crude sold in the intrastate market, also is examining whether new and more sophisticated testing machines voluntarily put in place by the pipeline around 1982 have been properly followed and go far enough to protect oil purchasers. Federal regulators previously approved higher water-content levels, but the commission's findings could set a precedent for future federal regulation of the pipeline's rates and shipment quality standards.

Even a tiny variation above authorized water-content limits over the years could amount to a large potential overcharge because more than 1.5 million barrels of crude flow through the pipeline daily.

North Slope crude typically includes traces of water when it's removed from the ground, but state and federal regulations require it to be treated to comply with a maximum percentage limit for water before entering the pipeline.

P. 3-94 Att. 2

Anchorage Daily News
Friday 5/12/88
Page 1

Utilities official finds no evidence for broker's claim against Alyeska

By PATTI EPLER
Daily News reporter

More than four years after a Virginia oil broker charged that North Slope crude oil was full of water, a state utilities official says there's no evidence that the oil routinely contained too much water.

In a 120-page decision issued Wednesday, administrative law judge Janis Wilson recommended that the Alaska Public Utilities Commission close an APUC investigation into Alyeska Pipeline Service Co.

Alyeska operates the Valdez shipping terminal, the trans-Alaska pipeline and pump stations on behalf of seven major oil companies that own the facilities.

The commission had been asked in 1983 by Virginia oil broker Charles Hamel to investigate whether Alyeska was violating a tariff that limits the amount of water in crude oil shipped on tankers to Lower 48 refineries.

Hamel then alleged that Alyeska falsified records showing the amount of water in the crude oil.



Daily News file photo/Bill Hill
Charles Hamel

Hamel had no comment Thursday on Wilson's decision because he had not received it. Hamel's Anchorage lawyer, Julian Mason, was on vacation.

The commission now will consider Wilson's findings and recommendations. Hamel and the pipeline owners have 60 days to file comments on the decision.

Hamel's allegations were made as the commission considered whether to allow a higher water content in a tariff for North Slope crude. The new standard had been requested by one of the pipeline owners. Wilson recommended the commission approve the new standard.

She found that before 1983 Alyeska had used an imprecise method to test for water, so the water content of the crude was consistently understated. But the method was an industry standard at the time and was not used to discriminate against oil shippers, she said.

In 1983, the company switched to a more precise testing method. Since 1984, water content has exceeded the tariff limit occasionally

See Back Page, ALYESKA

ALYESKA: Official recommends case be closed

Continued from Page A-1

but not consistently, Wilson said, adding that the tariff standard must be looked at on average because there is no practical and economical way the pipeline owners can ensure each barrel of oil meets the requirement.

"Even if (water content) standards were exceeded on an average basis prior to 1983," she wrote, "such past violations do not make it more likely ... that (the tariff) is currently being exceeded on an average basis or will be exceeded on an average basis in the future."

Wilson dismissed the notion that there is a widespread conspiracy among North Slope producers, pipeline owners and shippers "to hide the true water content of (North Slope) crude oil by forcing their employees to regularly and consistently falsify official records of water content."

Hamel's claims of wrongdoing by Alyeska and its oil company owners began in 1981, when a tankerload of oil he had brokered ended its journey to Panama with much more water than had been recorded in Valdez. He lost a lot of money on the deal because of the water, and it eventually cost him his lucrative oil-brokering business, he has said.

Hamel, who has expanded his fight against the oil companies to include allegations of widespread water and air pollution at Valdez and on the North Slope, has said he is seeking about $12 million.

Wilson said Hamel's 1981 oil shipment, and others he brought to the commission's attention that had a high water content, were interstate commerce and "are simply beyond the jurisdiction of the commission."

She noted that no other shipper — in-state or out — has complained of watery oil to the commission.

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PAUL, HASTINGS, JANOFSKY & WALKER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION
ATTORNEY WORK PRODUCT PREPARED
IN ANTICIPATION OF LITIGATION

MEMORANDUM

TO File - TAPS

DATE. January 7, 1991

FILE NO: 18970.50899

FROM Dorothy Y. Kirkley - ATL

COPIES TO:

SUBJECT: Interview with J. Patrick Wellington

On November 13, 1990, Leonard Janofsky, Joel McIntyre and I interviewed J. Patrick Wellington from Alyeska. The following is a summary of my recollection of the interview with Wellington and my mental impressions, conclusions, opinions and legal theories based on our interview.

McIntyre advised Wellington that we were representing the TAPS Owners Committee and giving them legal advice in connection with a review of the investigation which Wackenhut had conducted of leaks at Alyeska. McIntyre advised Wellington that we were not representing Wellington individually but that he was entitled to be represented by personal counsel of his choosing. Wellington elected to proceed without counsel. McIntyre explained that Wellington should understand that we would report whatever he told us to the Owners Committee. McIntyre also explained that because Wellington is an employee of Alyeska, his communications with us are privileged attorney client communications and

that he should treat them as such. Additionally, all matters related to the Alyeska investigation should be treated as highly confidential.

Wellington is a native of Alaska who has been in law enforcement since 1976. Prior to that he served in the Army and attended college for a year at the University of Alaska. He has held a number of positions within Alaska law enforcement including Deputy United States Marshal, state trooper, Deputy Director of the Department of Public Safety, Chief of Police of Juneau and Director of the Alaska State Troopers. In 1977, he joined the ARCO Security Office but six months later left to become manager of Alyeska Corporate Security, the position he holds at the present time. He also presently serves as Chairman of the State Employees Retirement Fund. It is my impression that Wellington is respected within the Alaska law enforcement community. He impressed me as being belligerent and very confident in himself. My further impression is that he has a law enforcement mentality.

Alyeska has a president and three to four vice presidents. Wellington reports to the Vice President for Human Resources and Administration who, in turn, reports

to the President. At the present time, that Vice President is Jim Dossinger. Dossinger's predecessor was Steve Dietrich. Alyeska has four other employees in the security department. In addition, Wellington has operational control of 175 guards employed by American Guard and Alert to protect the TransAlaska pipeline. American Guard and Alert is a subsidiary of Wackenhut but Wackenhut handles only the administrative responsibilities for the guards and leaves full operational control to Wellington and Alyeska.

Hamel first came to Wellington's attention in the early 80's when he made claims that crude oil he was brokering was being watered down by the oil companies and Alyeska. Hamel got the FBI to investigate the allegations. At the end of the approximately six month investigation, Wellington met with the special agent in charge of the Alaska FBI office who told him that the FBI found no basis for any federal criminal charges and that no criminal proceedings would be instituted. Wellington was not familiar with any other legal or administrative proceedings relating to this claim of Hamel's.

Wellington explained that Hamel was often in Alaska, known to have sources in the media and known to be

friendly with Doug Bailey, the Attorney General of Alaska. Hamel made a general nuisance of himself by making direct contact with the Owners and Alyeska executives, as well as through his media contacts and contacts with Congressman Miller. Some of the information leaked by Hamel is accurate.

Prior to the investigation we are now considering, Wellington investigated leaks at Alyeska. When a hand drawn diagram of an Alyeska ballast water treatment facility was leaked, Wellington identified employee Robert Scott as the probable source. A handwriting analysis ordered by Wellington concluded that Scott was a possible source but did not make a positive identification. Also Wellington had previously reviewed outgoing Alyeska telephone records and he had identified Scott as a possible leak through that analysis.

Wellington stated that the March 1989 Exxon Valdez oil spill really gave Hamel his opportunity. From that point forward, Hamel was often seen in Alaska hanging around Congressman Miller and cultivating his contacts.

In approximately late 1989 or early 1990, Wellington and Hermiller discussed the subject of leaks and the difficulties they were causing Alyeska. Hermiller's

level of concern may have risen after the broadcast of The Scottish Eye television show. On that show an Alyeska privileged and confidential legal document was shown on British television. Hermiller stated that he wished something could be done to stop Hamel. Shortly thereafter Wellington suggested an undercover investigation. Wellington assured Hermiller that it would be legal, moral and ethical and that there would be no women, drugs or alcohol involved. Wellington told Hermiller that the operation could probably not be successful if the Owners were told.

Hermiller decided to advise Dietrich of the investigation and Wellington told Iverson. To Wellington's knowledge, no one else at Alyeska was told of the investigation at that time.

Wellington first spoke to Wackenhut about the investigation when Alan Bernstein, Senior Vice President of Wackenhut, was in Alaska on another matter. Bernstein recommended Wayne Black and Wellington passed this recommendation along to Hermiller.

On March 7, 1990, Wellington met with Black, Rick Lund and others at Wackenhut to discuss a possible investigation. Wellington states that at that time he

had not finally decided to retain Wackenhut but wanted to see what ideas they had about the investigation before making his final decision. Wellington says that he described the purpose of the investigation to be to determine who is stealing documents from Alyeska and giving them to Hamel. Wellington advised Wackenhut that he had made a commitment to Hermiller that everything done in the investigation would be legal and moral. Wellington says he gave strict guidelines to Wackenhut and that Black and others assured him they would not conduct it any other way.

Wellington talked with the Wackenhut employees about techniques that would be used in the investigation. He understood that Wackenhut had access to telephone toll information and did not believe there was anything illegal about obtaining such information. They had no discussion about wiretapping but did talk about their ability to record conversations legally in Alaska and Virginia since only single party consent was required. By contrast, it was discussed that Florida required two party consent so that taping could not be done in or from Florida.

At the March 7 meeting, Wellington discussed "trashing" with the group. Wellington says he had no concerns about the legality of taking and sorting another's trash.

He discussed the investigation of the leaked diagram at some length with the Wackenhut people. In addition to what is stated earlier in this memo, Wellington reported that he had checked with an engineer who said that the leaked drawing was 90% accurate. The diagram was shown on local television in Alaska with the implication that it showed that Alyeska had not made all of the changes it was supposed to make and that the failure to make such changes might endanger the water quality in Valdez harbor. Wellington believed that this disclosure was tied to Hamel but he was not sure how.

Wellington advised the group that Hamel liked to talk and that it might be possible for an undercover operation to get close to him. Wellington knew of the "Frontier Thinking" conference to be held in Alaska on March 24 and suggested this as an opportune time to meet Hamel.

Wellington states that it was made clear that Wackenhut would have the lead role in the investigation

but that Wellington's group would support as necessary. Specifically, Wellington's group might obtain Alyeska's toll records, background information on Hamel and information on other environmentalists and environmental groups as needed.

In the meeting at Wackenhut, Wellington says there was no discussion of Congressman Miller. Although Miller was not discussed, Wellington thinks that Hamel has had some connection with Miller, particularly after the Exxon Valdez oil spill. He said that Hamel was seen in Alaska with Miller or members of Miller's staff at that point and Wellington knew that Miller was trying to expand his committee's jurisdiction over oil companies.

Wellington did not believe that there were any specific investigations of Alyeska made or pending during the time period of the Wackenhut investigation. He said that his information was that the Department of Justice and Federal Grand Jury were not looking at Alyeska during the period from March through September, 1990. He said that in fact his "sources" told him that Alyeska was not a target in the grand jury investigation of the oil spill.

For security reasons, it was the plan from the beginning that all of the written reports would come from Black to Wellington and that Alyeska would not generate any reports or correspondence itself. Wellington believes that he spoke with Black by telephone approximately once a week and got a written report approximately every two weeks. He kept this material in his credenza not in his regular file cabinet. He says he no longer has any documents relating to the Wackenhut investigation because he was instructed to give everything to Trotter which he has done. He recalls receiving 40 numbered reports from Black. No one else at Alyeska got the same materials. We asked Wellington to review the documents we received from Wackenhut. He had seen a number of them and was familiar with the contents of the rest of them. He could not explain why we did not receive all of the originals from Trotter.

Wellington's game plan was for Wackenhut to attempt to gain Hamel's confidence during the "Frontier Thinking" conference the week of March 20. Wellington did not know who at Wackenhut had the assignment of trying to get close to Hamel.

During the same time that one Wackenhut employee [Jacobson] was to attend the conference, Black and Lund were in Alaska to "get the lay of the land." Wellington believes he might have seen them briefly in his office and does not believe they did anything else at Alyeska. (He does not recall Lund's checking the phone system at that time.)

Wellington described the layout of the law department, which is on the 5th floor of the main building. His department is on the ground floor of the south building. In the main building there is a security receptionist and the building is under tight security. There are no windows and there are guards at night and camera surveillance in corridors and elevators.

McIntyre asked Wellington about his knowledge of certain people:

1) Kenneth Adams - no knowledge.
2) Daniel Lawn - Wellington has previously suspected him because he was a vocal adversary of Alyeska even prior to the connection shown in Wackenhut's telephone bill analysis.
3) Price Ahtna - he knows this is a contractor for Alyeska.

Wellington stated that, although he does not know when it happened, a key event was his learning that Hamel was talking about Miller. Wellington states that he immediately told Hermiller and also immediately advised Hermiller when Hamel said that he was going to mess up Hermiller's upcoming testimony. Wellington said that he was concerned that the investigation had to remain focused on the theft of Alyeska documents and that he reiterated those instructions. He told Wackenhut that the collateral matters (i.e., Miller and allegations concerning environmental violations) should only be discussed to the extent necessary to maintain the validity of the main purpose of the operation.

Wellington indicated that he primarily reported to Hermiller concerning the investigation and not to Dietrich. When Dossinger replaced Dietrich, Wellington made the decision not to advise Dossinger at all. Wellington believes he talked with Hermiller approximately once every two weeks and made no written reports to anybody. He did not inform Dietrich as often or as in much detail as he did Hermiller.

At some point (Wellington does not recall exactly when), he became comfortable that neither Smith nor

Trotter was the leak within the law department. Given the nature of the investigation and the leak of legal documents, he wanted to involve Smith and Trotter. He recommended the disclosure to Hermiller who approved. One reason that Wellington did not believe Smith and Trotter were involved was because he had planted two different versions of a phony memo in the law department, one of which could be traced to Smith and the other to Trotter. There was never any leaking of that document. Wellington asked Smith to assign Trotter to work closely on the project because Trotter was the lawyer who was normally responsible for employee relations and with whom Wellington had had a successful prior relationship.

Wellington describes the May 23 meeting as a status meeting that included himself, Iverson, Bernstein and Black. It was previously scheduled and not held in response to Hamel's disclosures concerning Miller. Wellington states that at that point in time, he felt comfortable with how the investigation was proceeding. He wanted more names of Alyeska employees who were leaking. We pointed out to him the last paragraph in Richey's May 22 letter which cautions against an undercover investigation when a congressman is indirectly

involved. Wellington said that he was familiar with that advice but made the decision that the investigation should proceed even though there was some risk that Hamel would later claim that Miller was involved. Wellington said that he was satisfied that they were focusing the investigation in the correct way and that he was willing to take the risk of later claims by Hamel. My impression is that Wellington was not particularly concerned by the possible indirect involvement of Miller.

It was Wellington's suggestion that counsel be obtained to advise concerning the investigation. Richey and Goodman were recommended by Wackenhut and had no prior relationship with Alyeska. Wellington stated that Alyeska retained Richey and Goodman and paid them through Wackenhut.

At the May meeting it was decided that the undercover investigation would be continued with the aim of getting closer to Hamel. There may have been limited discussions of taping but the main part of those conversations were held in August just before the Virginia office was opened. Wellington knew that Hamel was likely to continue to talk about Miller but did not expect Black to shut down the operation solely because of

that. Instead, Black was instructed simply to listen to what Hamel had to say about Miller but not to pursue it.

Wellington always knew there would have to be a plan developed for extricating Alyeska from the undercover investigation. In May, however, the investigation was not far enough along for such a decision to be made.

They had expected that it would take Black longer to get to Hamel than was the case. Their interest was in quality. They were not interested in short cuts. Wellington told Hermiller that the investigation might last six months.

During this time period, Black continued to get closer to Hamel and an envelope with Scott's return address on it was obtained through taking Hamel's trash. Wellington knew that Hamel thought he might be having his trash taken but Wellington did not think that there was a substantial risk that Hamel could or would set up a countersting operation.

Wellington knew that Wackenhut was obtaining Scott's trash. He talked to Wackenhut to make sure that this was legal. It is Wellington's view that the trash is abandoned and that it belongs to anybody who gets it. Wellington said that he was aware of court decisions

sanctioning taking trash but that to be cautious he had raised the question with Wackenhut, who confirmed that what they were doing was legal.

During this time period, Black also learned more about MITI which he reported to Wellington. MITI was apparently a legitimate company that was developing software which might have some value in tracking documents. He knew that MITI's offices were being used as a mail drop for Hamel. At no time was there any surveillance of Alyeska mail which might be going to that mail drop. Wellington says that his instructions to Black were to pursue whatever he could with MITI that would allow Black to obtain stolen Alyeska documents. Therefore, it was discussed that Black would attempt to get the documents up on the software. He knew that Black was going to offer to help develop the software. Wellington recalls that at one point MITI asked Ecolit for $6,000 for the software. Wellington says that Black refused, saying that it was of no value until the Alyeska documents were up on it. Wellington knows that ultimately Black did get the software. Wellington does not recall having received any legal advice concerning

Black's dealings with MITI. He told us that he does not see any legal problems with it.

Those attending the August 3rd meeting were Wellington, Iverson, Trotter, James, Black, Lund, Richey, Goodman and, for a portion of the meeting, Bernstein. It was Wellington's understanding that the lawyers opinion was that the investigation had been conducted legally. As different lawyers were brought in, none of them said there were any legal problems. He said that no red flags were put up at any time by any of the participants in these meetings, including the lawyers. He said that red flags did go up regarding how the Owners would respond and that there was probably some discussion of this on August 3rd, but most of the discussion was not until the later meeting. It is my impression that Wellington feels he had ample legal advice in this matter and that it was the job of the lawyers to tell him whether or not there were any legal problems with how the investigation was being conducted.

Wellington states that it was by his design that the Owners were not brought in because of the security problems. He knew that they would have to be involved at

some time but did not believe they needed to be advised any earlier than they were.

One of the things discussed at the August 3rd meeting was whether Hamel was interested in taking Alyeska's money and then dropping his environmental claims. (Wellington noted that this never was unequivocally established in taped conversations.) The participants at the August 3rd meeting did discuss whether it was appropriate to pay Hamel and they agreed that it was. He believes that ultimately $4,000 was paid to Hamel for expenses and costs but would need to check the tapes for exactly what was said.

Wellington does not recall Richey instructing that all future meetings with Hamel should be video taped.

Wellington did not think that Lois Simpson was the leak. He believed that the circumstantial evidence indicated that the ultimate leak to the news media was Patty Epler, a newswoman. He said that because Epler would claim a privilege, Smith did not believe it was going to be possible to get Epler to name her sources. Wellington has a mild suspicion concerning attorney Judith Andrus in the Alyeska legal department.

Fred Smith brought in Peter James at the point at which Smith felt that Alyeska needed to be prepared to file a civil action. Richey was looking strictly at the criminal side so they needed to bring in a civil lawyer. It was also Smith who decided to bring in Alaska lawyer Boiyko. Wellington never talked with Boiyko.

James attended two meetings. It was his role to assist Trotter in evaluating the issues. It was Wellington's understanding that James believed everything had been done legally.

When the participants met on September 20, it was obvious that the investigation was winding down and it would not continue indefinitely. Therefore, the Owners needed to be advised and to approve any civil action. Smith, Wellington and Hermiller all knew that the Owners had to be involved and that it was just a question of when. He recalls Bernstein saying that the Owners might decide to take a broader perspective and simply shut down the entire investigation.

On two occasions, Wellington was told by Hermiller that Hermiller had advised Garibaldi "in passing" that Alyeska was conducting an ongoing investigation of Hamel. Hermiller and Wellington talked about Garibaldi's

Alyeska pipeline
SERVICE COMPANY

To: Wayne Black

From: J.P. "Pat" Wellington

Date: 2/23/90

This girl has been a Real Pain In the Ass. She is very Active in All Alyeska issues. Right now is spending A Lot of Time in our State Capitol working the Legislative Scene.

I think she is Also Receiving inside info from us.

Pat

F2R402003

Sunday Business

SECTION C

Anchorage Daily News Sunday, February 21, 1988

662

Fisherman takes on Alyeska



Daily News file photo

Riki Ott

By PATTI EPLER
Daily News reporter

The Brooks Brothers types in the front row already had put away their briefcases when Riki Ott stepped up to the microphone.

A small gathering of technocrats, private consultants and company honchos had spent the morning telling each other the same things they'd been telling each other for nearly three years — that there are or aren't environmental problems at Alyeska Pipeline Service Co.'s oil shipping terminal in Valdez.

The government and industry representatives had never heard of Ott. But the slender, brown-haired woman in blue jeans and a red sweater quickly got their full attention.

"I have a master's in oil pollution and a Ph.D. in sediment pollution," she announced. "I am here as a concerned fisherman, representing the Cordova District Fishermen United as a director of the board."

With nearly a single movement, like a school of salmon twisting to avoid a net, the front row bent forward, quickly retrieving yellow legal pads from under their chairs. They hardly stopped writing for the next half hour, as Ott explained in cold, scientific terms why there are good reasons to worry that Alyeska's daily discharge of oily wastewater could be causing long-term damage to the fragile marine ecosystem.

"It was great," Ott recalled later. "You should have seen the looks on their faces."

Since that debut three months ago, Ott has become a vibrant and outspoken champion of the commercial fishermen who make their living from the waters of Prince William Sound. Armed with a scientific expertise that equals, if not exceeds, the knowledge of state and federal environmental officials as well as Alyeska and its consultants, Ott is elevating the fishermen's three-year fight against Alyeska to a new level, one that government officials and the company are finding hard to ignore.

"I think she is a person to be taken seriously," said Al

See Page C-3, OTT

F2R402004

OTT: Cordova fisherman takes up waste disposal battle against Alyeska Pipeline

Continued from Page C-1

Ewing, head of the U.S. Environmental Protection Agency in Alaska. His agency is writing the new Alyeska permit. "She has good credentials and (her statements) are technically sound in my opinion."

In recent weeks, Ott has been the luncheon speaker at chamber of commerce meetings in Cordova and Valdez, appeared on radio talk shows and lectured in school classrooms. Earlier this month in Juneau, she lobbied legislators and staffers on the need for a closer look at Alyeska.

"I really feel like I've stepped into my niche," Ott said in a recent interview.

"After the hearing, I could've just stepped back. But people started calling me, like the guys from DEC and others who were interested in Alyeska.

"The whole reason I wanted to become a resident of Alaska was that Alaska was still relatively clean, but still an environmental vacuum. I thought I could still make a difference with helping with the environment. So I thought, OK, let's just dive in."

Since 1984, the EPA and the Alaska Department of Environmental Conservation have been investigating allegations of pollution at the Valdez crude-oil terminal.

Regulators at first were hampered because they had little knowledge of Alyeska operations even though they were supposed to have been watching over the facility for years. As the investigation progressed, Alyeska deluged the agencies with thick reports by high-priced consultants, reports the company argues proves the facility is operating just fine and no environmental damage is occurring.

The Cordova District Fishermen United, which more than a decade ago successfully challenged construction of the trans-Alaska pipeline on environmental grounds, joined the fracas soon after the state-federal investigation began and urged stronger controls on Alyeska. But the fishing group lacked technical advisers and mainly echoed complaints raised by a Virginia oil broker, Charles Hamel, who has been a vocal critic of Alyeska and its operations.

Last August, the EPA released a draft version of a permit that would govern wastewater discharge from Alyeska's ballast water treatment plant. The new permit replaces one that expired in 1983.

About that same time, Ott, who with her partner had just about finished her third summer of commercial salmon fishing in Prince William Sound, decided to run for the board of the Copper River Fishermen's Cooperative. She campaigned on the grounds that the fishermen need an environmental perspective, but not necessarily an environmental priority, she said.

She won a seat on that board and in the fall approached the CDFU to see about joining its group. Until then, Ott said, she hadn't told anyone in the fishing industry of her academic background.

"I just wanted to be taken for a fisherman," she said. "But I decided maybe it's time for me to offer my education to help the fishermen."

When CDFU officers found out about her training in oil pollution, they turned over the Alyeska case to Ott. That was about a month before the public hearing on the draft permit was scheduled.

Ott collected a stack of technical documents, reports and studies on the terminal and began sorting through them. She focused on the draft permit and lengthy fact sheet EPA had asked for comment on.

"I couldn't believe it," Ott said. "It was vague, it was inconsistent, it was contradictory. It sounded like Alyeska had written it.

"That was when I realized I was in a position where I could make a difference. I realized I had to do something or these guys were going to get away with murder."

Ott credits her zest for environmental issues — and her willingness to fight for those ideals — to her father, a 1960s-era environmental advocate.

Frederick Ott — "Riki" is short for Fredericka — was a principal fund-raiser and driving force in the legal battle that resulted in the nationwide banning of the pesticide DDT about 20 years ago. The elder Ott went on to become a co-founder of the Environmental Defense Fund, today one of the country's largest and most influential environmental organizations.

Riki recalls a Wisconsin childhood filled with outdoors adventures and trips that her dad turned into vivid lessons. "I remember walking to school and seeing robins in the last stages of neurotoxin," she said. "Dad would bring them to us and have us hold

See Page C-4, OTT

OTT: Fisherman takes up the cause against Alyeska

Continued from Page C-3

them so we could feel those birds dying."

Now, her principal field of expertise is sediment toxicology; Ott's dissertation outlined a laboratory testing method to determine the toxicity of sediments — a method that was in part the basis for a now-standard lab test, she said.

She attended undergraduate school in Maine, majoring in biology and geology, the closest things to marine biology offered at the school, she said.

One summer, she spent six weeks on an academic Mediterranean cruise. One of the teachers was a visiting scientist named Byron Morris, who took a special interest in Ott and another student because of their interest in his field of oil pollution. Later, in 1975, they worked for him as research assistants at the Bermuda Biological Station.

Morris is now with the National Marine Fisheries Service and stationed in Anchorage. He said he's seen Ott once since that summer in Bermuda, and that was just in recent weeks.

"I think she's top notch," he said. "Her opinion is as valid as anyone's. And I trust the university's judgment that they don't give away Ph.D.'s for free."

After graduation from college, Ott received a fellowship to study oil pollution abroad. She spent six months in England on one project and traveled to Malta on another.

She returned to the University of South Carolina for her master's degree. There she developed an affinity for windsurfing — which was best, she said, during hurricane warnings when the seas were 14 feet off Myrtle Beach and the wind whipped up to 50 mph.

In 1980, Ott said, she decided to go to the University of Washington for her doctorate mainly because she thought she'd like to see the Pacific Northwest. She studied for four more years and wrote a 300-page dissertation on "amphiped sediment bioassays."

She took a job as an environmental consultant with a private firm but "I hated being in rooms with windows that wouldn't open."

At a boat show in Seattle, she met someone who invited her to crew on a salmon-fishing boat in Alaska. So she came north and became a commercial fisherman.

Ott, 33, and her partner own and operate a 27-foot bow picker, the Ambergris, earning enough, she said, to make the boat payments and take winters off.

Ott believes that discharging millions of gallons of oily wastewater into Port Valdez every day for the last 10 years has not been without consequence.

Alyeska and EPA point to scientific studies — paid for by the company — that have documented only small amounts of hydrocarbons in the sediments and say the studies show no environmental damage has occurred.

But Ott thinks regulatory agencies should be alarmed that any sediment contamination has been discovered. That means Port Valdez is already the victim of chronic, low-level pollution — contamination that needs to be stopped before it gets worse, she said.

The CDFU and other opponents of the Alyeska plant think it likely things will get worse as the production of North Slope crude oil increases; it's soon to be more than 2 million barrels a day consistently. The existing treatment plant was designed to handle tanker traffic necessary to ship only about 1.5 million barrels of oil a day to Lower 48 refineries, according to state environmental officials and the CDFU.

The state wants Alyeska to build more crude oil holding tanks and more ballast water treatment tanks so the oily wastewater won't be rushed through the system so fast it doesn't have time to receive adequate treatment.

Ott and CDFU also are challenging a new treatment method — called a biological treatment system — that Alyeska is using and that EPA has fashioned the new permit around. The fishermen think the biological system is inadequate for the Alyeska plant and would rather see the company install a more advanced system used by other oil companies in the United States, a system EPA determined would cost Alyeska about 2 cents per barrel to operate.

The fishermen hope to convince EPA and DEC to establish an independent technical monitoring group to help oversee Alyeska's operation. They envision a group of scientists, oil industry officials and citizens looking over technical data to decide if operations are polluting the environment. Now, state and federal watchdog agencies rely on Alyeska to conduct tests of itself and tell the agencies if permit violations or pollution is occurring.

"I think they can operate safely," Ott said. "I definitely think (fish and oil) can co-exist."

But, she said, plants like Alyeska's anywhere else in the world are monitored much more closely. Other oil industry facilities "wouldn't get away with the stuff they (Alyeska) are getting away with now, but they know the system."

A safe environment "is not going to happen unless we yell and scream."

F2R402005

MEMORANDUM

TO	SUBJECT	
J.P. WELLINGTON	FREDERICKA SUZANN "RIKI" OTT	
FROM	**DATE**	**FILE NO.**
R.B. IVERSEN	FEBRUARY 23, 1988	

Fredericka Suzann "Riki" Ott
DOB: 8/08/54 (Age: 33)
SSN: 395-62-5153
Residence: Cordova, Alaska
Father: Frederick Ott, a 1960's environmental advocate, co-founder of the Environmental Defense Fund
Childhood: Wisconsin

She claims a Master's Degree in oil pollution. She has a Masters of Science (Marine) from the University of South Carolina, May 17, 1980. (Records, University of South Carolina (803) 777-7000)

Synopsis of newspaper background as below:

About August of 1986, Ms. Ott finished her third summer of commercial salmon fishing in Prince Williams Sound.

She won a seat on the Copper River Fisherman's Cooperative in late 1986. Also approached CDFU - Cordova Dist5rict Fisherman United - to handle Alyeska case.

Met partner at Seattle boat show. Together they own and operate a 27-foot bow picker, the "Ambergris."

Attended undergraduate school in Maine, majoring in biology and geology. One summer, she spent six weeks on an Academic Mediterranean Cruise. One teacher was Byron Morris. Later, during 1975, she worked for Morris as a research assistant at the Bermuda Biological Station. Morris is now with the National Marine Fisheries Service in Anchorage.

After graduation from college in Maine, she received fellowship to study oil pollution - six months in England on one project and she traveled to Malta on another project. After England and Malta, she returned to the University of South Carolina to get her Master's Degree (May 1980). In 1980, she attended the University of Washington for her Doctorate.

She studied four more years, then worked as an environmental consultant with a private firm prior to moving to Alaska to become a commercial fisherman.

University of Washington (206-543-5950). She claims a Ph.D in Sediment Pollution. She received her Doctorate in Fisheries on March 21, 1986. University of Washington confirmed that her Doctorate was in Philosophy and Fisheries.

F2R402006

RE: OTT, Fredericka Suzanne
SSAN: 395-62-5153

March 31, 1988

ANCHORAGE FILE # 1-1A-2218

SYNOPSIS

Subject received a Master of Science Degree in Marine Science at the University of South Carolina, Columbia, SC in 1980. A copy of her thesis, "Sublethal Effects of Naphthalene on Fecundity and Egg Viability of an Estuarine Copepod Arcatia Tonsa: Some Indications of Hydrocarbon Resistance In Copepods.", was obtained and submitted. No major course of study in "oil pollution" is offered in Marine Science at this university.

Subject received a Doctor of Philosophy Degree in Fisheries at the University of Washington, Seattle, WA in 1986. A copy of her dissertation, "Amphipod Sediment Bioassays: Effects on Response of Methodology, Grain Size, Organic Content, and Cadmium", was obtained and submitted. No major course of study in "sedimentary pollution" is offered in Fisheries at this university.

PREDICATION

This investigation was predicated upon the request on March 29, 1988 by Mr. J. P. Wellington, Security Manager, Alyeska Pipeline Service Company, to determine the degrees obtained by Fredericka Suzanne Ott at the University of South Carolina, Columbia, South Carolina, and the University of Washington, Seattle, Washington, and to obtain copies of her thesis and dissertation submitted for fulfillment of degree requirements.

DETAILS OF INVESTIGATION

University of South Carolina
Columbia, South Carolina

Dr. Bruce Kool, Department Head, Marine Science, University of South Carolina, advised on March 29, 1988 that he remembered the subject when she attended the University. He stated her major professor was Winona Vernberg and she allowed Ms. Ott to do her thesis on oil pollution. He said no major course of study is offered in oil pollution in this department, but the University does offer seminars and special topics on this subject.

The University of South Carolina Library was found to contain a thesis prepared by "Fredericka S. Ott, Bachelor of Science, Colby College, 1976", "Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Science in the Marine Science Program University of South Carolina 1980". The thesis was entitled "Sublethal Effects Of Naphthalene on Fecundity and Egg Viability of an Estuarine Copepod Arcatia Tonsa: Some Indications of Hydrocarbon Resistance In Copepods." A copy was made of the thesis and has been submitted under separate cover.

University of Washington
Seattle, Washington

On March 28, 1988, Ms. Laverne Cobb, School of Fisheries, University of Washington, advised the Subject received a Doctor of Philosophy in Fisheries from the University of Washington in the Spring of 1986 with a focus on "Amphipod Sediment Bioassays".

Dr. Lynwood Smith, School of Fisheries, stated the University does

not offer a Ph.D. in "sedimentary pollution", but it was his recollection he had heard the Subject's dissertation had dealt with this subject.

The Library of Oceanography and Fisheries at the University of Washington contains a copy of "a dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy University of Washington 1986" by Fredericka Suzanne Ott. The dissertation was entitled "Amphipod Sediment Bioassays: Effects on Response of Methodology, Grain Size, Organic Content, and Cadmium." A copy of the dissertation was made and has been submitted under separate cover.

MEMORANDUM

TO	SUBJECT	
J.P. WELLINGTON	PROPRIETARY INFORMATION LEAK	
FROM	DATE	FILE NO.
R.B. IVERSEN	FEBRUARY 22, 1990	

It has been evident the past three years that proprietary information from within Alyeska Pipeline Service Company has been provided to members of the press and to adversaries involved in litigation with the Company.

We have looked at several cases of reported proprietary information leaks such as noted in Security Cases 8-13-A-9, 8-2-A-46 and 8-13-A-11.

Case 8-13-A-9 (Reported November 24, 1987): Mr. Charles Hamel, a resident of Maryland, reportedly quoted conversations of Alyeska Management people to the press even though the conversations were privately held between Alyeska personnel in Anchorage. Mr. Hamel also reportedly released information from Alyeska memoranda which were in-house correspondence.

Case 8-13-A-11 (Reported May 1988): Proprietary information (simplified diagrams of the ballast treatment system) provided to trustees for Alaska, dated January 30, 1988.

Case 8-2-A-46 (Reported October 1989): Alyeska manuals recovered from ABC Towing Company. Manuals were left in an impounded vehicle. Box of manuals was addressed to Mr. Chuck Hamel, Trustees for Alaska, 725 Christenson Drive, Suite 4, Anchorage, Alaska 99501-2101. Box was sent to Mr. Hamel by U.S. Environmental Protection Agency. Check with EPA indicated that the manuals were sent to them by Mr. Hamel and they returned them to him. The owner or driver of the vehicle had no connection to Alyeska.

In January 1990, BBC Television presented a documentary program on a BP Oil Terminal in Scotland. During the program, an in-house memorandum was shown on the screen relating to the recent Valdez oil spill.

Efforts to date have been unsuccessful in attempting to determine the source of the proprietary information leak. Attachments to the memorandum include excerpts from the case files on information compiled to date.

Attachments

J.P.'PAT' WELLINGTON — JUNE 30,1988
MANGER
CORPORATE SECURITY
ALYESKA PIPELINE SERVICE COMPANY

REF; My Case #88326
Questioned Document Examination

REQUEST; Compare two(2) photocopys of unknown printed writings with sixty-four(64) collected documents containing known printing and writing to ascertain if any of the known authors prepared the unknown documents.

DOCUMENTS;

Questioned= Q-1= Headed 'VALDEZ ARM OF PRINCE WILLIAM SOUND'.
Q-2= TOP HEADING 'INCINERATOR STACK'.

KNOWN; K-1= Savings/Investment plan in the name of DANIEL NICHOLS.
K-2= Enrollment form in the name of MICHAEL SHIER.
K-3= Application form in the name of GARYMINISH.
K-4= The backside of K-3.
K-5 Through K-17= Various documents in the name of WILLIAM RUTLEDGE.
K-18 THROUGH K-64= Various documents in the name of ROBERT KELLY SCOTT.

EXAMINATION: I first examined the two(2) questioned documents. These are photocopys of a diagram of the Valdez Terminal of the Trans Alaska Pipeline. The diagram itself appears to have been drawn by someone using a template on plain white paper. All notations on both sheets of the photocopys are hand printed and contain certain personal printing habits that indicate only one subject placed the printed matter on the diagram. There is nothing to indicate who may have made the diagram itself.

There are indications that the subject printing the material on the diagram was being very careful during most of the printing as most of the letters were made in a slow manner. This may indicate a attempt to disquise natural habits found in all writing. There are eight(8) different letter forms that are repeated throughout the writings. Since this is a photocopy I cannot determine pen pressure, type of writing material, corrections or erasures, all of which are indicators when comparing suspect writings.

All of the known writings that were examined contain a portion of theletter forms found on the diagram. However none of the knowns contained all of the letter forms to indicate the author of the diagram. Again, since the diagram writing appears to have been carefully prepared I cannot rule out the attempt to disquise.

F2R401734

As I stated all of the collected known writings contained some portion

of the writings on the diagram with the exception of the letter 'M'. This letter is repeated throughout the diagram in such a manner as to be habit with the writer which means the formation of the letter is automatic and the writer is not aware of making the letter in that form.

The letter 'U' in the diagram is written in a habit formed manner also. This manner of writing the 'U' occurs in some of the collected known writings but so seldom that it cannot be termed to be habit with these writers.

The formations of the letters 'S', 'A', 'R', 'W', 'N' and 'O' are also written in habit form and do appear throughout the collected writings but not enough to pinpoint one subject as the writer. The formation of the numbers 4,7 and 2 found on the diagram are also found on some of the collected writings.

SUMMARY:

Each letter taken by itself can be found in each of the collected writings. However a group or formation of the lettes found in the diagram are not found in all of the collected writings.

The most occurances of letter formation occured in the writings made by ROBERT KELLY SCOTT. However the 'M' letter formation occued only once in several pages of his writings. The strongest indicator found in SCOTTS writings were the open top letter 'O' which occur throughout the diagram. His 'A' is of the same type as well as the 'N', 'R', 'D','G','L','i','E','K' and 'B'. The letter forms of 'M' & 'U' found in the diagram were not found throughout SCOTTS writings.

One item not found in any of the collected writings, other than SCOTTS, were the 'i' dots found on the diagram. The height and placement of these dots are consisent with the 'i' dots of SCOTTS writings.

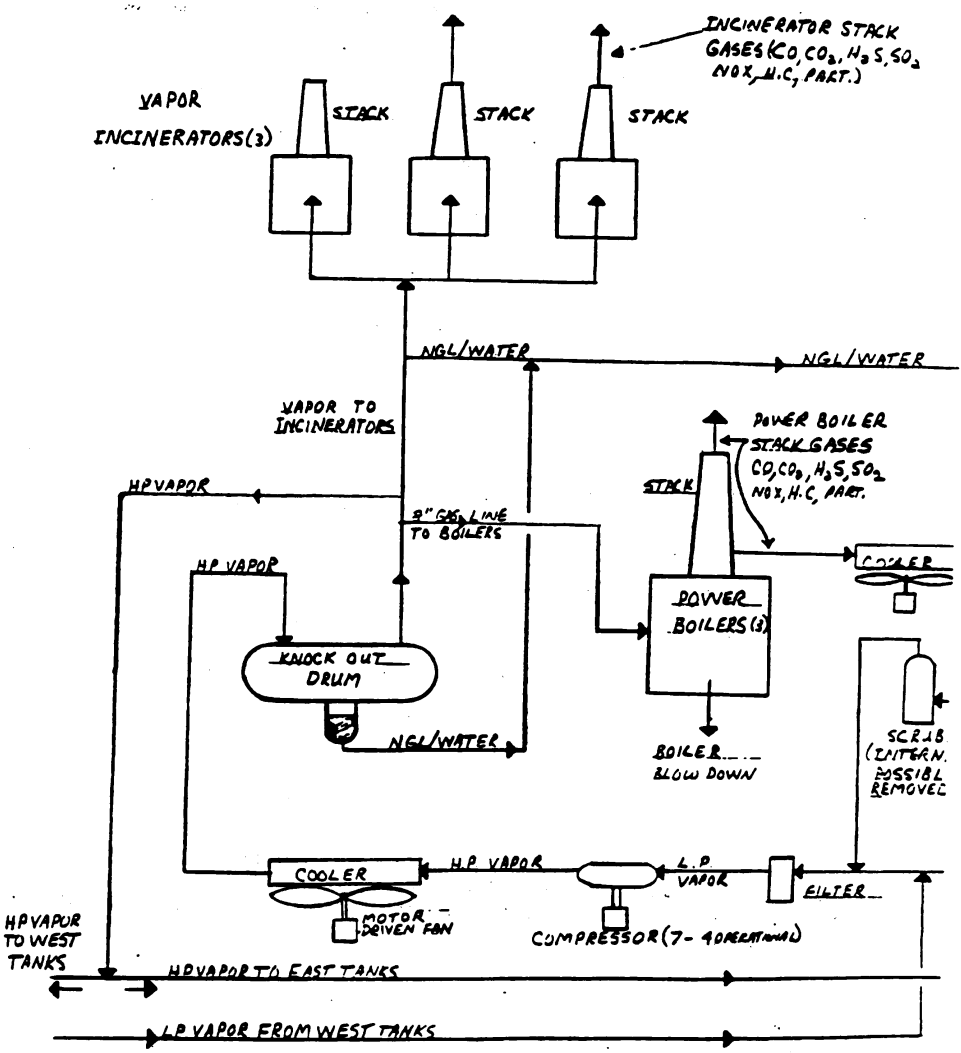
I have discared NICHOLS, SHIER, MINISH AND RUTLEDGE as possible suspects in this case. I feel SCOTT is a very strong possibility as the maker of the diagram but without finding the letters 'M' & 'U' I cannot say he is the one, only that his writings are closest to the maker of the diagram.

SINCERELY,

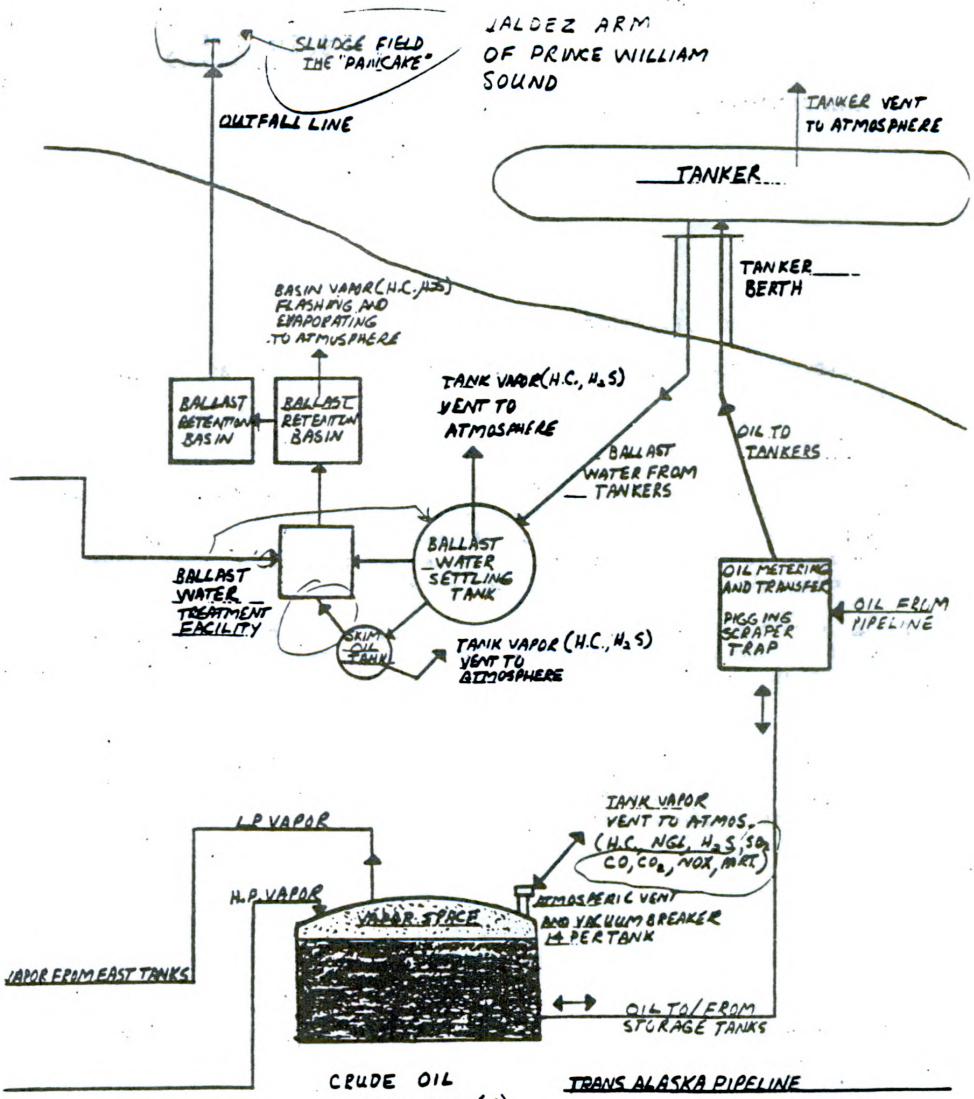
STARR CAMPBELL

QUESTIONED DOCUMENT EXAMINER

F2R401735


INCINERATOR STACK GASES (CO, CO2, H2S, SO2 NOX, H.C, PART.)
VAPOR INCINERATORS (3)
STACK
STACK
STACK
NGL/WATER
NGL/WATER
VAPOR TO INCINERATORS
POWER BOILER STACK GASES CO, CO2, H2S, SO2 NOX, H.C, PART.
STACK
HP VAPOR
8" GAS LINE TO BOILERS
COOLER
HP VAPOR
POWER BOILERS (3)
KNOCK OUT DRUM
NGL/WATER
BOILER BLOW DOWN
SCRUB (INTERN. POSSIBL REMOVEC
COOLER
H.P VAPOR
L.P VAPOR
FILTER
MOTOR DRIVEN FAN
COMPRESSOR (7- 4 OPERATIONAL)
HP VAPOR TO WEST TANKS
HP VAPOR TO EAST TANKS
LP VAPOR FROM WEST TANKS

F2R401736



TRANS ALASKA PIPELINE

VALDEZ TERMINAL - SIMPLIFIED DIAGRAM

PREPARED FOR: TRUSTEES FOR ALASKA 1/30

FOR INFORMATIONAL ONLY - NO SCALE

NOT INTENDED FOR TECHNICAL REFERENCE

F2R401737

CONFIDENTIAL

ALYESKA SECURITY CASE REPORT

ALYESKA CASE No. 8-13-A-9

REPORT DATE: 11/24/87

CASE TITLE: PROPRIETARY INFORMATION LEAK

REPORTED BY: J.P. WELLINGTON, MANAGER, SECURITY OTHER CASE NO: N/A

SYNOPSIS:

Mr. Charles Hamel, who resides in Maryland, has reportedly quoted conversations of Alyeska management people to the press even though the conversation was privately held between the Alyeska personnel in Anchorage. He also reportedly has released information from Alyeska memorandums which were "in house" correspondence.

In an effort to determine if calls were being made to Mr. Hamel from an Alyeska telephone, the telephone calls made to Maryland and Virginia from Alyeska were checked for 1987. One number known to belong to Mr. Hamel, 703-549-0515, was checked, however no calls to this number was found.

Three hundred and five calls were made from Alyeska in 1987 to Virginia and Maryland. The calls were made from 73 different Alyeska telephones to 109 different phone numbers.

CASE STATUS

DATE OPENED: 11/24/87 BY: R.B. Iversen

DATE CLOSED: 01/08/88 BY:

CONCLUSION REMARKS:

Calls of over six (6) to any number in Maryland or Virginia were checked and a review of the results did not turn up any obvious caller to Mr. Hamel.

dba

[redacted]

Alyeska pipeline
SERVICE COMPANY

To Wayne Black

From J.P. "Pat" Wellington

Date 2/22/90

Wayne's

Mr. Hamal is the person who is getting our information

Pat

[redacted]

[redacted]

F2R401739

Battle rages on between Alyeska, environmentalists

By PATTI EPLER
Daily News reporter

Since 1984, government officials have been investigating allegations of widespread environmental pollution by Alyeska Pipeline Service Co., the consortium of eight oil companies that operates the trans-Alaska pipeline and the oil shipping terminal in Valdez.

State and federal environmental officials, lawyers and even congressional investigators have looked for excessive water in the crude oil, excessive crude oil in the water of Port Valdez, tankerloads of chemical waste being shipped up from the Lower 48, barrels of hazardous waste being pumped into the pipeline and toxic hydrocarbons in the air from Prudhoe Bay to Valdez.

The investigators have spent tens of thousands of dollars on the investigation, and Alyeska has said it has spent more than $10 million to answer questions raised by the government.

Now, more than three years later, the Alyeska affair is still not over. If anything, a proposed new environmental permit for the Valdez facility has prompted an escalation of the squabble over potential environmental harm.

Moreover, the national environmental battle over oil development in the coastal plain of the Arctic National Wildlife Refuge — hundreds of miles from Valdez — has focused the attention of influential environmental groups on Alyeska. For years, the groups had little to say about the Alyeska allegations. But troubles at the terminal have become ammunition for the environmentalists in challenging the oil industry's overall record in Alaska.

Alyeska has consistently maintained it is doing nothing wrong. The company points to studies that have not documented any environmental damage.



Daily News file photo

Charles Hamel

Alyeska, during the past three years, has engaged in an aggressive public relations campaign to debunk the charges and polish its image. For example, Alyeska has been a high-profile contributor to United Way.

The Alyeska affair began in about March 1985. A Virginia oil broker named Charles Hamel captured headlines when he filed a complaint with the Alaska Public Utilities Commission charging Alyeska with selling watered-down oil. Hamel blamed the oil companies for the loss of millions of dollars on a crude oil deal he was engineering and for the loss of his lucrative brokerage business.

Since then, Hamel has been the driving force behind most of the allegations against Alyeska. He readily admits he wants the oil companies to reimburse him for the $12 million or so he thinks he is owed. Until that happens, Hamel says, he will continue to call on his growing network of Alyeska employees and oil industry sources to feed to government authorities what he believes is evidence of environmental wrongdoing by Alyeska.

The APUC still has not ruled on whether there is excessive water in the oil that comes down the pipeline from the North Slope. The administrative law judge who heard days of testimony in 1985 has given birth to two babies since then but has yet to issue a written decision for the full commission to consider.

Soon after the APUC hearings, Hamel launched an attack on the way Alyeska handled oily ballast water brought to Valdez on tankers from the Lower 48. He said the company's ballast water treatment plant was not working, that tons of oily sludge and other pollutants were being discharged into Port Valdez.

It has taken the federal Environmental Protection Agency and Alaska Department of Environmental Conservation the last three years to sort out those claims. About two years ago, the EPA found that Alyeska had violated its permit and that the plant was not operating as well as anticipated. EPA ordered the company to make substantial changes to the treatment system.

Then the EPA set to work on a new environmental permit for the plant, a permit that the agency promises will address all other environmental concerns.

Jan Hastings, the EPA official working on the permit, said last week the final version is still weeks, perhaps months, away.

The DEC, which must approve the permit, already has expressed concern over the permit and the new treatment method put in place by Alyeska. The state doesn't think the plant as it now stands has the capacity to handle all the wastewater that is run through it when oil production is as high as it is now — more than 2 million barrels a day.

DEC wants Alyeska to build more storage tanks and holding ponds so the wastewater will have more time to be cleansed before it is emptied into the port. And DEC officials have indicated they won't sign off on the environmental permit unless their concerns are addressed.

Alyeska, for its part, has threatened to slow the flow of crude oil from the North Slope — which would cut into the state's treasury as well as the oil companies' — before it will build expensive new facilities.

While EPA and DEC have been addressing the first question of environmental pollution in Port Valdez, Hamel has turned up the heat on Alyeska, its owner companies and other firms connected to the pipeline company in other ways.

Just last week, EPA proposed a $90,000 fine against one of Hamel's targets — MAPCO Alaska Petroleum Inc. — for mishandling hazardous waste. Hamel had alleged MAPCO was endangering the pipeline by putting hazardous waste into it.

A few months ago, Hamel went to Congress with more allegations, this time that a "vapor recovery system" designed to capture toxic hydrocarbon vapors at pump stations along the pipeline and at the Valdez terminal had been dismantled. Thousands of tons of pollutants are being vented into the air, Hamel said.

Hamel claims the dismantling of the vapor system violates promises the oil companies made to Congress more than a decade ago when Congress approved the construction of the pipeline.

Environmental groups opposing ANWR development have jumped on that allegation, saying it shows the oil companies can't be trusted to protect the arctic environment. A flurry of letters from conservation organizations to the Senate Energy Committee recently asked the committee to hold off a decision on ANWR development until the Alyeska allegations could be investigated more thoroughly.

Last week, however, the committee voted 10-9 to continue working on the bill with the majority leaning toward allowing development.

DEC officials have taken the lead on investigating air pollution allegations. They have said they are not satisfied with answers Alyeska has given them so far and are continuing to pursue the matter.

"It's been seven years since I've been on this thing and I'm not giving up," said Hamel, who has now turned part of his attention to a new business venture — selling sophisticated computer software. "I want the truth to get out."

676

F2R401740

[redacted]

Alyeska pipeline SERVICE COMPANY

To: Roger Black

From: J.P. "Pat" Wellington

Date: 2/23/90

Letter From Mr. Hamel
To Robert Horton
Vice Chairman BP

[redacted]

Note his Remarks about
having early information
Regarding Oil Spill Bill

Pat

[redacted]

F2R401745

30 WED 2:09 Charles Hamel Alas VA



VIA FAX

MEMORANDUM

JANUARY 26, 1990

TO: MR. ROBERT HORTON
VICE CHAIRMAN
BRITISH PETROLEUM

FILE
HAMEL

FROM: CHARLES HAMEL

Although you refused to see me during your stint in Cleveland I did manage to "reach" you last Saturday. The writer of the TV script was my house guest in Valdez during the "spill" and as other house guests from the U.S. Congress gained different insights into ALYESKA, and its relationship to the "spill".

Prior to my requests to meet with you in Cleveland, I had relayed to the Coast Guard Valdez Commandant and to Juneau Headquarters, ALYESKA Terminal technicians' warnings that ALYESKA was incapable of deploying a spill response crew to the Sound in any intelligent, orderly fashion, let alone promptly. The Admiral's response to me "it is none of your business...let the technicians deal with ALYESKA management".

Presently, ALYESKA's new leadership team appears to be convincing the Government Agencies and the public "that the old ways went out the door with George Nelson". However, it appears that the "old ways" are still in vogue...lying and cheating as concerns Oil Spill Contingency Plans and the environment.

I learned (documented proof) of the December 29th "surprise drill" (attach 1 and 2) 24 hours in advance and monitored the preparations as dozens, repeat dozens, of "assigned response team" and outside contractor employees were assembled 24 hours earlier...relieved of their normal terminal duties ... and commenced shovelling out their snow buried response vehicles, where they had been abandoned in disarray prior to the first snowfall: unplugged heating units, dead batteries, etc. The details rival the Thompson Pass/March 24th blunder. The Federal and State Contingency Plan Committee officials (attach 3, para 5) were dutifully impressed, as two of them acknowledged to me the following week. Mr. Horton, this fraudulent set-up of Government Officials was premeditated!

Since December, I have been monitoring another environmental incident which was also willfully and falsely reported to the Government by your Management. Documented proof should be enroute to me within days and we will again confront ALYESKA Management as we did on the "surprise drill". Dr. Riki Ott of Cordova is especially concerned as the Terminal's ripeline Spill Response sector includes not only the salmon spawning creeks above Valdez harbor but also the higher elevations draining into Cordova's Copper River and Flats.

CH:hm

F2R413411

Hand File

Logged
This was sent To ARCO Alaska Inc
2/2e/90

For your information, operators of your Crude Oil Topping Plant (COTP) differ significantly with your version of operations of the facility and its satellite Surfcoat Storage Pad. For example, I have statements from a COTP Supervisor and two Operators each of whom insist that they were required to reroute crude past the flow meters upon which you rely. Obviously, this conduct results in a substantial understatement of the true flow volumes required for Alaska Severence Taxes, State Royalty payments and proper accountability to the Prudhoe Bay Unit Owners.

As for your statement that "...BS&W measurements are conducted for any water in the two streams", COTP personnel state that management required COTP Operators to dispose of water used to "water-wash" the facility by injecting it into the crude/residual flow to the TAPS. ARCO/EXXON's potable water supply appears to command ANS crude oil prices. . . truly windfall profits! In fact, one Supervisor attests to personally training the TAPS Topping Unit Technicians (from Pump Stations 6, 8 and 12) in the "water-wash" and injection procedures.

Additional continuing violations of Federal and State environmental regulations and statutes at these facilities

revealed by my investigations cause grave concerns as to trusting EXXON as my General Partner, Lease Operator and self-monitor of the EXXON MBH Alaska Ltd. drill sites.

Very truly yours,

Charles Hamel

Charles Hamel

cc: Mr. J. M. Thacker
Chevron, U.S.A.

Mr. Don Smiley
EXXON, Washington

Mr. Lodwrick Cook
Chairman
ARCO

Mr. Robert Horton
Chairman
BP North America

Mr. Darrel Warner
Chairman
ALYESKA Owners Committee

David Barmak, Esquire

Declaration of Friendship

Whereas Ahtna, Inc. and Alyeska Pipeline Service Company have had a longstanding, close, memorable relationship since 1970, and

Whereas both Ahtna and Alyeska entered into an Omnibus Agreement in 1974 giving each other reciprocal benefits and creating special opportunities, and

Whereas the ensuing Omnibus relationship has been a very special one for both Ahtna and Alyeska, now therefore be it

Resolved, in the presence of those gathered here today, that Ahtna and Alyeska do herewith sign this Declaration of Friendship of renewed faith and opportunity with strength, pride and collaboration for the common good.

Ray A Ewan

Ray Ewan, President
Ahtna, Inc.

James Hermiller

James Hermiller, President
Alyeska Pipeline
Service Company

May 19, 1990

M E M O R A N D U M

PRIVILEGED ATTORNEY/CLIENT INFORMATION
PRIVILEGED WORK PRODUCT INFORMATION
CONFIDENTIAL & PERSONAL

TO: Bill Richey

FROM: Jonathan Goodman

DATE: August 21, 1990

RE: 8/20/90 T/C with Wayne Black

Alyeska Pipeline Investigation
RMF&G File No. 1072-1

On August 20, 1990, I had a lengthy telephone conversation with Wayne Black concerning the status of the investigation. He told me that Ecolit has established its office in Virginia. They have already met with Hamel in Virginia. They have videotaped Hamel delivering attorney-client documents to Wayne. Although Wayne tried to give Hamel a check on camera for Hamel's consulting services or for the documents, Hamel rejected the check and gave it back. Off camera, however, Hamel accepted the check. Because the check was written on an account that Wayne arranged to open in Virginia, he will obtain the endorsed check back from the bank after it is cashed.

According to Wayne, Pat Wellington wants to have another meeting with everyone at the Wackenhut offices. Although Pat initially suggested September 5th, several people ---including you --- have conflicts and the meeting will probably take place during the third week of September.

In any event, Wayne may not be able to continue the undercover operation for long. Hamel is becoming more and more suspicious about Wayne's repeated failures to bring his fiancé to dinners. Wayne has repeatedly rejected social invitations from Hamel and his wife. In addition, Hamel is getting suspicious about his failure to contact anyone other than an answering machine whenever he calls the Ecolit office in Miami. Although this suspicion is somewhat ameliorated by the opening of the Virginia office, I do not believe his doubts have been eliminated.

Furthermore, Hamel is asking questions designed to check up on what Wayne has told him. For instance, Hamel asked Wayne where one of the women working in the new Ecolit office in Virginia was from. Wayne told her, "Tampa." Hamel then asked Wayne where this woman grew up. Wayne said, "Tampa." When Hamel actually met the woman a few minutes later, he did not say, "So, you are from Tampa," or

"How do you like Tampa?" or "I've been to Tampa, it's not a bad place," or some other similar comment. Instead, he asked the woman, "Where are you from?" Fortunately, the undercover operative answered, "Tampa." Hamel was not satisfied with this answer. He then asked her how long she had lived there. She confirmed Wayne's previous answer that she had lived there all of her life.

Furthermore, Hamel began a recent meeting last week with Wayne by asking him what exactly Ecolit did.

In addition, Hamel is getting increasingly pushy about his requests that Wayne meet the Captain of a ship who has information about alleged illegal dumping. In that regard, Hamel is repeatedly requesting that Wayne arrange for Ecolit to immediately file a lawsuit based on information provided by the Captain and, presumably, other Hamel sources.

Wayne and I both agreed that Alyeska needs to independently investigate the allegations provided by Hamel. First, it is the right thing to do. Second, it is strategically advisable because Wayne, Alyeska and the entire undercover operation would look terrible if the allegations were not pursued. In order to pursue these investigations, however, Pat Wellington and the other Alyeska officials supervising the undercover investigation must advise top-ranking company executives and the independent members of Alyeska about the investigation and the need to legitimately investigate Hamel's allegations. Alyeska might be able to turn the independent investigation into a public relations coup.

For instance, Wayne and I discussed the possibility that Alyeska would announce its independent investigation of the information provided by Hamel on the same day that the lawsuit against Hamel was filed and served.

Wayne told me he was concerned that Hamel would be stunned when he was served with the lawsuit. Wayne is so concerned that he suggested that we arrange for a paramedic (and perhaps a doctor) to be on hand when Hamel is served with the complaint.

Peter James, the California attorney working with Alyeska, has not yet contacted Wayne about affidavits. I told Wayne that the affidavits needed to be drafted <u>immediately</u> so that Alyeska would be able to rush into court on an emergency basis if the undercover operation blew up. I told Wayne that a comprehensive affidavit should be immediately prepared and the affidavit should be periodically updated as the investigation progresses. If you will recall, this was discussed at our meeting at the Wackenhut offices a few weeks ago.

Wayne suggested that I directly contact Pat Wellington and suggest that he direct Peter James to start the affidavit process at once.

Wayne has already made photocopies of the stolen attorney-client documents which Hamel provided to him. Wayne and his company will be inputting these documents into their litigation support computer system. He is supposed to return these attorney-client documents to Hamel within a few days. According to Wayne, Hamel said that the congressman does not yet know of the stolen attorney-client documents --- but his leglislative assistant does know about them. According to Wayne, Hamel claims that a Dept. of Justice attorney may want to review these stolen attorney-client documents. Hamel said the DOJ attorney quickly thumbed through some of these documents when Hamel presented them to him.

Please give me your comments about the investigation.

JG/kg
Alyeska\JG.MF3

1333

CONFIDENTIAL WORK PRODUCT INFORMATION

MEMORANDUM

4 - Investigation File

TO: 427 FILE

FROM: WAYNE B. BLACK

RE: 427 PROJECT

DATE: OCTOBER 5, 1990

This memo outlines some concerns about the investigation of Charles HAMEL. We have all discussed all or part of most of the following items at least once in the past few months. The change in direction dictated by oil company executives after the notice by Alyeska is very troubling.

BACKGROUND:

In early of 1990, we were retained by Alyeska to investigate the matter of theft of proprietary documents. Our investigation soon focused on Charles HAMEL and the theft of attorney/client information from the Legal Department and Alyeska in Anchorage. HAMEL met with us on several occasions and bragged about having as many as thirty persons inside Alyeska that would give him information about the inner workings of the company. We observed Alyeska documents in his residence which he called "stolen." Working in an undercover capacity, we were able to introduce several investigators to HAMEL with me being the primary contact.

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We soon gained HAMEL's confidence and I was accepted by he and his wife. Much to our surprise in that of the clients, HAMEL would talk for hours about pollution. Meetings and conversations were recorded and video's in Virginia. Long distance phone conversations to and from Florida were not recorded but notes and memo's were made and submitted.

HAMEL rambled and talked of his sources and information regarding pollution for approximately fifteen hours of video and audio tapes. He spoke of being a tick on the back of Alyeska and Exxon causing them problems every day until they paid him. His unfocused stories and thoughts occasionally bordered on extorsion when he indicated that if the oil company paid him, he would go away.

When HAMEL first made allegations of pollution, we were taken somewhat off guard as our directions had been theft. As our original mandate had been to prepare a civil and possibly a criminal attack, we were not only obliged to not interrupt HAMEL's conversations but we encouraged him to put up or shut up regarding his wild stories of dumping.

Several of his stories about justice department lawyers, Congressman Miller, vast pollution, etc. were, and still are, unbelievable. Our thought at the time was to disprove or approve

each of his allegations while at the same time making ourselves more credible by asking for names, dates, places and details.

It was hoped that this would open HAMEL to identify his sources inside Alyeska, especially the Legal Department. HAMEL eventually brought a box containing approximately six hundred pages of stolen legal memoranda to our undercover office.

During late September, Pat Wellington, Lon Trotter, Esq. and Mr. Hermiller gave notice to the three primary companies in a meeting in Denver, Colorado. The direction after the meeting was to change our method and plan of attack on HAMEL. No additional recordings were to be made and the undercover operation was to fade away without compromise. The decision was made after a detailed briefing, but without total access to the tapes or transcripts.

Following clients orders, the recording equipment and hidden camera were removed that same day, with proper documentation made.

Now my dilemma. I have come to know and understand HAMEL. He has convinced himself that he is the savior of Alyeska and possibly the planet in the fight against pollution and all that is wrong with big oil. He is in his own right a folk hero in Alaska. Even if he receives his $18 million dollar settlement from Exxon he will still

have his sources and funnel information to the EPA, the media and anyone else who will listen for as long as he "HAMEL" lives.

HAMEL tells us he has told the EPA General Council, several lawyers, many of his sources and others about the undercover company and our intended actions with his pollution information. There is no reason to believe he will not make an investigative effort to find the people he spent so much time reporting so much to. He has retained private investigators to investigate several matters in the past.

I know that HAMEL has exaggerated a bit from time to time. I also know that he has been truthful when it comes to his numerous sources of info and stolen documents. We have no way of knowing if the allegations of pollution are true or false.

Florida law clearly covers us by making it a crime to release any information without the written permission of our client. Additionally, we probably enjoy some form of work product privilege and/or attorney client privilege for portions of our investigation.

I am concerned that even if we complete and mail transcripts to Alyeska, Pat Wellington and I are the only ones who are holding the hot potato on this one. As of October 1, 1990, I was informed that

the oil companies did not want transcripts or any details of HAMEL's allegations. Both Alyeska and TWC have asked for legal guidance from Richey, Munroe, Fine & Goodman. Pat Wellington has requested that we have the transcripts and all paperwork completed by December 1. At that time we will meet on the west coast for a final status report.

In the meantime, we are telling HAMEL that our funding is being cut and gradually shutting down the operation in Washington to be followed in a few weeks by the operation in Miami.

WBB:jl
427.c2

cc: Pat Wellington
Alan Bernstein

Alyeska pipeline
SERVICE COMPANY

1835 SOUTH BRAGAW STREET, ANCHORAGE, ALASKA 99512 TELEPHONE (907) 278-1611 TELEX 090-25-127

July 17, 1990

AIRBORNE EXPRESS

Peter James, Esq.
Baker & Hostetler, McCutchen,
Black
600 Wilshire Blvd., 12th Floor
Los Angeles, California 90017

Dear Mr. James:

Herewith Hamel files from Alyeska's Environmental Department together with deposition transcripts of Charles Hamel.

Sincerely,

ALYESKA PIPELINE SERVICE COMPANY

Karen L. Kilty
Environmental Research Specialist

KLK155:mkb

Enclosure

F2R502519

D

Hamel RECREATED (#1)

A) 1986 correspondence and memo for the record dated 5/6/86.

1) Memo to Alfred T. Smith and George Hagle from QO'C re: telephone conversation with Hamel on 2/11/85; 2/11/85.

2) Letter to Lee M. Thomas (EPA) from Angus Macbeth, re: Notice of Intent to Commence Action Under § 505 of the Federal Water Pollution Control Act, 33 U.S.C. 1365; 3/27/85.

3) Letter to Lee M. Thomas (EPA) from Angus Macbeth, dated 4/4/85 re: Supplemental Information Concerning NPDES Permit Violations at Valdez Terminal.

4) Letter to Woody from Smiley; 4/25/85.

5) Letter to Hohn from Stachura re: confidential information file; 5/14/85.

6) Memo to file on meeting with Hamel's attorneys on 5/14/85.

7) Memo to file from QO'C; 5/15/85.

8) Letter to Barmak from QO'C and memo on meeting with Hamel's attorneys; 5/15/85.

9) QO'C memo re: Standing and Litigation Costs; 5/21/85.

10) Letter to William Ross (ADEC) from Angus Macbeth, re: Notice of Intent to Commence Action Under § 505 of Federal Water Pollution Control Act, 33 U.S.C. 1365; 5/22/85.

11) Letter to Lee M. Thomas (EPA) from Angus Macbeth, re: Notice of Intent to Commence Action Under § 505 of Federal Water Pollution Control Act, 33 U.S.C. 1365; 5/22/85.

12) Telecopy transmittal sheet to TAPS Legal Subcommittee from QO'C with draft letter to Hamel's attorneys rejecting his settlement offer; 5/23/85.

13) Letter to QO'C from Barmak re: QO'Cs 5/24 letter; 5/29/85.

14) Memo to Legal Subcommittee from QO'C re: Legal Responses to Hamel's Demands; 5/29/85.

15) Memo to Brelsford & Volmert from Connole & O'Connell with questions in preparation for Hamel's lawsuit; 6/10/85.

16) Letter to Hohn from QO'C re: 8/2/85 meeting in Seattle; 8/6/85.

17) Chronology of Events Leading to Hamel Proposal and other material sent to Ken Fountain on 8/8/85.

18) Memo to Rulison from Marrs re: telephone call from Charles Hamel; 8/26/85 (rec'd from Bob Johnson).

19) The Daily Washington Law Reporter, dated September 16, 1985; various other publications re: Clean Water.

20) Anchorage Daily News article of September 15, 1984 on Charles Hamel.

21) Letters to Eppler & Hamel from Geren re: final Lysyji BWT reports; 9/30/85.

22) Letter to QO'C from Barmak re: settlement discussions; 10/15/85.

23) Letter to David Barmak from QO'C dated 10/23/85 in response to Barmak's letter of 10/15/85.

Hamel (#2)

1) Letter to Barmak from QO'C in response to Barmak's 10/15 letter; 10/23/85.

2) Letter from McDermott re: Communications Regarding Alyeska Pipeline matters; dated 1/28/86.

3) Telecopy re: Hamel phone call of 1/24/86; 1/29/86.

4) Letter to Hohn from QO'C re: 2/20/86 Wall Street Journal article; 3/3/86.

5) Letter to Dingell from Lee M. Thomas (EPA), dated 4/10/86.

6) Telecopy - Letter to Heintz from Hamel re: Alyeska Pipeline Service Company; dated 4/24/86.

7) Notes of conversation between Hamel and QO'C; dated 4/24/86.

8) January 22, 1986, the Valdez Vanguard reported that Hamel intended to release his files . . . ; dated 4/86.

9) Hamel Documents in Al Stayman's office (QO'C notes); dated 9/23/86.

10) Law Reporter/Settlement Agreement . . . Hamel v. Hamel; dated 9/23/86.

11) Letter to QO'C from David Barmak re: A process which provides an effective, . . . to reduce EPA acceptable levels . . . ; dated 11/5/86.

12) Letter to Horton from Hamel; dated 11/25/86.

13) Telecopy from Ratterman re: Pasztor telephone conversation with QO'C; dated 11/26/86.

14) Letter from Charles Hamel to H.E. Bond re: BTX; dated 11/24/86.

15) Telecopy from Ratter to Owners and Ad Hoc Committees attaching Statement for Response to Inquiries from News Media; 11/26/86.

16) Letter to Ken Fountain from Charles Hamel re: BWT facility - BWT Removal; dated 11/28/86.

17) Letter to Hamel from Nelson; DRAFT.

18) Telecopy to Owners and TAPS Legal Committee from Nelson attaching Draft Response to Hamel letter; 12/4/86.

19) Memo to TAPS Owners from H.E. Bond with proposed letter to Chuck Hamel attached; dated 12/8/86.

20) Memo to TAPS Owners from R.E. Smyth re: H.E. Bond Response to Chuck Hamel with draft letter attached; dated 12/11/86.

21) Letter to Lodrick Cook (ARCO) from Hamel; 12/9/86.

22) The Daily Washington Law Reporter re: Hamel v. Hamel; dated 9/23/86.

23) Telecopy to QO'C from Henman (12/29/86) re: memo to TAPS Owners Committee from Bond (12/23/86) forwarding letter to Blake from Hamel (and enclosures); 12/18/86.

Documents Identified for
Hamel/BS&W Investigation

1. Valdez Loading Tickets:

1977 through 1980 - fiche cards
Box 10686 - contains 1981 tickets) Returned to Records Storage
Box 10723 - contains 1982 tickets) 4/8/85, with memo advising
Box 12555 - contains 1983 tickets) the boxes should not be
marked for destruction.

2. Box No. 22299:

- Valdez Incoming lab reports:

  8/77 through 12/77
  1/78 through 12/78
  1/79 through 4/79

- Valdez Ships Samples lab reports:

  8/77 through 12/77
  1/78 through 12/78
  1/79 through 4/79

3. Box No. 1301524:

- Valdez Ships Samples lab reports:

  5/80 through 12/80

- Valdez Incoming (grab) lab tests:

  9/11/80 - 9/18/80, 9/22/80 - 9/26/80, 9/28/80,
  10/2/80 - 10/11/80, 10/13/80, 10/15/80, 10/17/80,
  10/21/80 - 10/22/80, 10/24/80 - 10/25/80, 11/8/80,
  11/11/80, 11/15/80 - 11/17/80, 11/25/80, 11/27/80 - 11/30/80,
  12/1/80, 12/9/80, 12/13/80, 12/15/80, 12/24/80, 12/26/80,
  12/29/80

- Incoming Crude, Dec. 1980: Contains lab reports for 5/1/80 through 12/31/80 (prepared on a weekly basis).

- Crude Tanks Year End Inventory: Contains Prudhoe Bay Crude - Loading Inspection forms for 6/29 & 30/79, 7/1 & 3/79, 12/28/77, 9/9-25/77, 8/77, 10/77.

- Oil/BS&W Thickness Determination 1980: Contains Recovered Oil Inspection forms for the months of 3/80 through 9/80.

- Crude Preload Tank Results: Contains Prudhoe Bay Crude - Loading Inspection forms for 6 & 7/79, 9/79 and 10/79 (months not complete).

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- BOD's 8/2/77 - 12/26/78: See Attachment 1 for an example.

- EOM Reports Dec. 1979 - Dec. 1980: Contains BWT monthly summaries (includes BS&W and recovered oil for 4/80 - 12/80).

- Rec'd. Oil Inspections 1979: For the time period 4/79 - 9/79, 11/79, 12/79.

- Lab Results 1977: Contains BWT Final Composite Inspections (impound basin, pH basin 8/77 - 10/77); Boiler Water Quality Log Sheets; Monthly Summary - Vessels Loaded (3/79); Weekly Summary - Vessels Loaded (9/77 - 11/77); Weekly Prudhoe Bay Crude - Loading Inspections Incoming Crude (8/77 - 11/77); Prudhoe Bay Crude - Loading Inspections, Crude Composite (1/5 & 6/80).

- Weekly/Monthly Reports: Prudhoe Bay Crude - Loading Inspections Incoming Crude (8/77 - 12/77); Incoming Crude Inspections (1/78 - 10/78, 12/78, 3/79); Monthly Summaries - Vessels Loaded (1/78 - 10/78, 12/78, 2 & 3/79); Monthly Drinking Water Report (10 & 11/77, 2/78 - 7/78, 12/78, 2 & 3/79); Recovered Oil Inspections (2/18/78 - 4/3/78); BWT/Impound Basin (3/78); BWT - oil and grease, BOD & phenol (11/77); Prudhoe Bay Crude - Loading Inspections for the Vessel Manhattan dtd 8/1/78.

- Laucks Reports 80: Laucks Testing Laboratories, Inc. reports on water, impound basin, for 7/80 - 12/80.

- BWT Oil Inventory Sheets: Handwritten calculations for tanks.

- Power Plant/Sample Results: Routine weekly lab results for 3/23/78 - 2/4/79, 9/29/79. See Attachment 2.

- Drinking Water Monitoring 1977/1978: Contains Alyeska Monthly Drinking Water Report (Form 0164) for 5/77, 7/77 - 10/77, 12/77, 1/78 - 3/78, 9/78 & 10/78 and Liquid Waste Effluent Monthly Monitoring Report for 7/77 - 9/77.

4. Unnumbered Box, Titled 1982 Files (Records from Valdez):

- Valdez Ship Samples lab reports:

  1/82 through 12/82

- Valdez Incoming lab reports:

  1/82 through 12/82

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- E.O.M.'s: Monthly reports for drinking water, recovered oil inspections, recovered crude, incoming crude, BWT monthly summary and vessels loaded for 1/82 through 12/82.

- Log Book: Chloride Lab Task Force (4/15/82 - 7/28/82).

- Chem & Geo Reports: See Attachment 3 for samples of the analysis reports for portions of 1978 - 1982.

- Lauck Reports: Laucks Testing Laboratories, Inc. reports on water, impound basin, for 1982.

- Ballast Water Treatment Plant, Form 0116 (5/81): Oversize documents which include BS&W for Rec. Oil; prepared daily (1 - 3/82, 10/82 - 12/82).

5. Unnumbered Box, Titled 1983 Files (Records from Valdez):

- Valdez Incoming lab reports:

  1/83 through 12/83

- Valdez Ship Samples lab reports:

  1/83 through 12/83

- Ballast Water Treatment Plant, Form 0116 (5/81): 11/83

- Lauck Reports: 2 files, Laucks Testing Laboratories, Inc. reports on water, impound basin, for 1983.

- Chem & Geo Reports: 1983 Analysis reports.

- Distillation Worksheets 4/9/83 - 12/31/83: See Attachment 4 for an example.

- Extraction Worksheets: Sediment extraction Worksheets for 4/10/83 - 12/27/83. See Attachment 5.

- E.O.M.'s: Monthly summaries of drinking water report, recovered crude inspection log, daily incoming, vessels loaded, ballast water treatment plant (see Attachment 6) for 1/83 through 12/83.

6. Unnumbered Box, Titled 1984 Lab Sheets:

- Valdez Ship Samples lab reports:

  1/84 through 10/84

- Valdez Incoming lab reports:

  1/84 through 10/84

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- Distillation Worksheets: 1/84 through 9/27/84.

7. Unnumbered, Untitled Box, Tagged Box #2 (Records from Valdez):

- Valdez Incoming lab reports:

  1/81 through 12/81

- Valdez Ship Samples lab reports:

  1/81 through 12/81

✓ - Lauck's Reports: Laucks Testing Laboratories, Inc. on water, impound basin, for 1981.

- E.O.M. Files: Monthly summary reports for 1/81 through 12/81. See previous entries for types of reports.

- Lab - How To - Sheets: Standard Operating Procedure re: BS&W Centrifuge Tube Accuracy Checks, dtd. 4/81; draft of 7/80 - 7/81 audit of oil movement and measurement; copy of Section 2 - Determination of Water in Crude by the Distillation Method from Manual of Petroleum Measurement Standards Chapter 10 - Sediment & Water, 4/81; Section 3 - Determination of Water & Sediment in Crude Oil by the Centrifuge Method; Section 1 - Determination of Sediment in Crude oil & fuel oils by the Extraction Method; Gravity API and Corresponding Specific Gravity, Weights and Pressures at 60°F.

✓ 8. Unnumbered, Untitled Box (Records from Valdez): Contains Ballast Water Treatment Plant Forms 0116 for the period of 1/81 - 6/81, 8/81 - 12/81, 4/82 - 9/82.

9. Unnumbered Box, Titled Daily Lab Results:

- Daily Lab Results: Includes Recovered Crude BS&W for 5/80 - 12/80, 1/81 - 10/31/84.

- Completed Daily Worksheets: See Attachment 7, undated.

- BOD Results 81: See Attachment 1 for sample, 1/81 through 12/81.

- BOD Results 1/82 - 6/82: See Attachment 1.

- Biochemical Oxygen Demand BOD 1983: See Attachment 8.

- Daily Lab Worksheets: See Attachment 7, 2/15/83 - 12/31/83.

10. Pump Station 1 Lab Log Books: Copies located in Hamel file, for 3/10/83 through 3/5/85.

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11. Box No. 613511: (Returned to Records Storage, 4/8/85, with memo advising not to mark box for destruction.)

- Cold and Hot Work permits for 2/79 - 3/80.
- Diesel Shipment Log: 11/78 - 5/79.
- BWT Plant Log Book: 7/29/79 - 12/20/79.
- Suspended Solids pH & Phenol Log Book: 5/79 - 5/1/80.
- Ballast Water Daily Conditions Log Book: 4/1/78 - 12/78, 2/79 - 4/30/79.
- BWT Tanker Ballast Log: 2/26/79 - 12/26/79.
- BWT Plant Log Book: 2/23/79 - 7/29/79.

12. Box No. 707307: (Returned to Records Storage, 4/8/85, with memo advising not to mark box for destruction.)

- Valdez Ship Samples lab reports:

  5/79 - 4/80

- Valdez Incoming lab reports

  5/79 - 4/80 (prepared on weekly basis)

- Completed Daily Lab Forms: Laboratory Daily Test Results 11/26/79 - 4/30/80.
- Monthly Reports - BWT: Handwritten reports with BWT monthly summaries for 1977 - 1980 (years not complete).
- Ballast Tank Batch Data: See Attachment 9, for the period 4/28/78 - 7/27/78.
- Ballast Water Batch Data (Rev.) 7/18/79: See Attachment 9, for the period 7/23/78 - 7/31/78.
- Ballast Water Batch Data: See Attachment 9, for the period 8/1/78 through 4/30/80. The documents are filed by month.
- Daily Lab Forms Completed: Contains forms titled Laboratory Daily Test Results, see Attachment 10, for the period 8/28/78 - 12/22/78 and 1/8/79 - 12/31/79.
- Ballast Water Feed Tanks Log: 7/18/78 - 4/23/79.
- Potable Water Log: 5/1/79 - 5/3/80.

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- Sump Composites & Salinity Tests Log: Periodic entries for the period 1/22/78 - 7/79.

- Grease & Oil Log: 4/30/79 - 5/1/80.

13. Box No. 3407909: Contains the following log books: (Returned to Records Storage, 4/8/85, with memo advising not to mark box for destruction.)

OM&S Daily Log: 10/3/77 - 2/27/78
East Metering: 2/2/78 - 12/17/78
OM&S Instructions: 10/27/78 - 3/9/79
Tank Farm: 1/27/78 - 8/23/78
OM&S Daily Log: 2/14/77 - 10/3/77
West Metering: 2/20/78 - 2/12/79
OM&S Daily Log: 2/28/78 - 1/25/79
Oil Movements & Storage Instructions: 9/27/77 - 10/26/78
West Metering & Utilities: 9/27/77 - 2/19/78

14. Pump Station 8 Records:

- Records Transfer Orders: For records from 1978 - 1984.

- Quality Assurance Engineers Field Monitoring Report, dtd. 6/21/79, re: Maps and Records, Maximum Operating Pressure, Storage Vessels, Contingency Plan.

- Log Book: For the period 6/12/83 - 3/3/85. See Attachment 11 for sample.

- Memos, Notes, etc.: Contains North Pole Metering Tickets and associated documents for the period 9/4/83 - 12/31/83.

- North Pole Metering Tickets and associated documents (see Attachment 12) for the period 9/2/82 - 12/31/82, 12/31/82 - 2/28/83, 2/83 - 5/83, 5/29/83 - 9/4/83.

- Petty Cash Check Request Sent & Complete: Contains North Pole Metering Tickets for 1/8/84 - 5/31/84 which includes Quality Assurance Checklist for NPMS (see Attachment 13).

All of the above material, except the boxes returned to Records Storage, is located in the Law Department.

15. Box No. 1807105: Contains the following log books:

BWT Order Book: 5/17/77 - 7/21/77
- BWT Log Book: 5/17/77 - 12/7/77
Instruments Ballast Water: 4/29/77 - 11/17/77
- BWT Log: 2/12/77 - 5/16/77
BWT Order Book: 2/15/77 - 9/30/77
B.T.A. Log Book: 12/8/77 - 4/30/78
- BWT Plant Log Book: 4/30/78 - 10/2/78

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Sulfides Log Book: 2/7/78 - 4/16/79
- BWT Plant Log Book: 10/2/78 - 2/23/79
BWT Order Book: 1/24/78 - 3/30/79
Tanker Traffic Info Log: 8/77 - 2/25/79
BWT Order Book: 9/30/77 - 1/23/78
BWT Area Work Orders: 4/19/78 - 2/27/79

This box is located in Info Services/Records Storage.

16. Files from Valdez (J. Wilson & C. Rassinier):

- BWT: Primarily contains memos/letters authored by/directed to I. Henman for 1980.

- Two packets of documents pertaining to (1) Protests dealing with water for the period 12/27/83 through 1/3/85, and (2) Protests dealing with crude or crude and water for the period 12/19/83 through 1/3/85.

- S&W Valdez Procedures: Telexes and memos for the period 4/83 to 6/84 (not inclusive).

- S&W High (Carrier Notifications): Telexes, memos and letters of protest for the period 3/83 to 9/84 (not inclusive).

- Protests - Crude 1983: Telexes, memos and correspondence for the period 6/82 to 8/84 (not inclusive).

- Unfiled documents transmitting to the Marine Services Subcommittee marine statistics for the period 1/82 through 3/84.

- Unfiled documents authored by J. Woodle for the period 5/82 through 2/84 (not inclusive).

- Untitled File: Telexes and memos re: BS&W for the period 1/80, 1 & 2/81, 1, 4 & 12/83 and 11/83.

- TS 14.02 Recovered Oil: Correspondence for the period 1980 re: BWT Study.

- 12.05 Marine Services Sub-Committee (2 files): Correspondence and minutes for 1975, 1977, 1983.

This box located in the Law Department.

P2R502530

Hamel (#4)

1) Letter to Brelsford from QO'C enclosing memo with preliminary thoughts on abuse of process counterclaim; 6/25/87.

2) MURKOWSKI CLEARED BY COMMITTEE, Anchorage Daily News, August 5, 1987.

3) Letter to EPA from Judith E. Brendel, Contingency Specialist, Alyeska, dated 7/7/87 re: recovery system shut down with copy of letter to R. L. Mikkelsen from Clark L. Gaulding, Chief, Air Programs Branch, EPA, dated March 3, 1983.

4) Letter to Johnston from Hamel re: written testimony submitted to be included in the Official Record of the Committee's current Hearings on the Development of the Arctic National Wildlife Refuge (ANWR); 10/27/87.

5) Letter to Lee M. Thomas (EPA), from Senator Howard M. Metzenbaum, dated 9/15/97, with questions attached.

6) Memo to Stapleton, et al. from Nelson re: Hamel contacting the news media with allegations regarding air quality violations at Pump Station 1 and Marine Terminal; 10/29/87.

7) Response to media inquiries about allegations by Charles Hamel of Air Quality violations by Alyeska; 10/30/87.

8) Letter to Nelson from Jack Overly re: complaint received; 11/9/87.

9) Letter to Dennis Kelso from Johnston re: Hamel testimony; 11/11/87.

10) Letter to Hamel from QO'C re: recent telephone conversations between Darrell Warner and Hamel; 11/24/87.

11) Letter to Swafford from QO'C re: letter to Hamel of same date; 11/24/87.

12) Telecopy to QO'C from Swafford enclosing memo to TAPS Owners' Committee enclosing letter to Hamel from QO'C of 11/24/87; 12/4/87.

13) Letter to Johnston from Kelso re: testimony provided by Hamel; 12/10/87.

14) Letter to Henman from Pyle (Woodward-Clyde) enclosing 12/10/86 letter from Hamel to Sue Hendricks (Dept. of Commerce); 12/28/87.

15) Letter to Warner from Garibaldi re: previous call from Hamel -- letter encloses copy of memo from Hamel to Gary Greve dated 1/6/88; 1/7/88.

16) Letter to Warner from Hamel re: QO'C's 11/24/87 letter, etc; 1/7/88.

17) Memo to files from QO'C re: Telephone conversation with Chuck Hamel of 1/22/88; 1/22/88.

18) Decision in Hamel v. Hamel, No. 86-1305 (D.C. Ct. App.); 3/15/88.

19) Letter to Smiley from Hamel enclosing 3/17 letter to Means from Hamel; 3/22/88.

20) Note to QO'C from Bilgore enclosing letter to Cook (ARCO) from Hamel of 3/25/88; 4/15/88.

21) The Daily Washington Law Reporter re: Hamel v. Hamel decision; 4/26/88.

22) Letter to Brelsford from QO'C re: Hamel v. Hamel decision; 4/29/88.

TAPS-EPA (INVESTIGATION)

Hamel (#5)

1) QO'C conversation with Sam; undated.

2) Letter to Studds (Fisheries & Wildlife) from Arnie Hardy in answer to Studds' request of 3/88; 5/88.

3) Letter to Studds (Fisheries & Wildlife) from Roy Dalthorp in answer to Studds' letter of 3/11/88; 5/17/88.

4) Letter to Don Smiley, Exxon, from Chuck Hamel, dated 3/22/88 re: Eldon L. Means, Exxon, letter of 3/17/88.

5) Letter to Lodwrick Cook, ARCO, from Chuck Hamel, dated 3/25/88 re: environmental and excess water problems in the TAPS.

6) Memo to Nelson from Connole & O'Connell re: Meeting with Chuck Hamel; 5/19/88.

7) Memo to Smith Connole & O'Connell re: Meeting with Russell Shay (Fisheries & Wildlife); 5/24/88.

8) Letter to Studds from Carl Faust in answer to Studds' request of 3/11/88; 5/25/88.

9) Letter to Maggie Moran (Office of the Governor) from C.V. Chatterton re: Allegations by Mr. Dalthorp; 5/26/88.

10) Letter to Studds from Hamel re: Studds' letters to Hardy, Dalthorp & Faust; 6/1/88.

11) Letter to Henman from Marrs re: Disposition of Licensing Complaint filed by Hamel against Woodward-Clyde Consultants (WCC); 6/13/88.

12) Letter to Heatwole (ARCO) from McGee (ADEC) re: Former ARCO Employee Allegations; 6/20/88 (delivered to us by Hamel).

13) Memo to Nelson from QO'C re: Visit from Hamel; 6/23/88.

14) Letter to Nelson from QO'C re: 7/6/88 meeting with Hamel; 7/11/88.

15) The Daily Washington Law Reporter re: Hamel v. Hamel; dated 8/16/88.

16) Memo to Nelson from QO'C re: Meeting with Hamel; 9/2/88.

17) Fax to Henman re: Hamel v. Hamel; 8/24/88.

18) Fax to Henman from QO'C re: Meeting with Hamel; 9/7/88.

19) Fax to Nelson, Henman, Smith & Volmert from QO'C re: Memo from Hamel re: breakfast discussion of the Valdez BWT problems; 12/13/88.

20) Memo from Hamel and Ott to TAPS Owners and Permittees, re: Suggested Modifications to Alyeska Facilities; attachments; 1/30/89.

21) Memo from QO'C to Nelson relaying the Memo from Hamel, includes memo to TAPS Owners from QO'C about meeting with Hamel; 2/1/89.

22) Memo to Nelson, Henman and Smith re: Meetings with Hamel and Ott; 2/3/89.

23) Letter from Henman to Ford re: Reviewing Hamel's Proposal for Air Stripping for BETX Removal; 2/7/89.

24) Letter to Dietrick (ADEC) from Henman including response to Hamel & Ott re: BETX Removal Process; 2/8/89.

25) Response from Ford to Henman re: Air Stripping for AH; 2/9/89.

26) Memo from Ford to QO'C and RMTC re: Conversation with Ott at National Oil Spill Conference, San Antonio, 2/14/89; dated 2/14/89.

27) Fax to Nelson and Henman re: Requesting Owners Committee approval of draft letter to Ott; 2/16/89.

28) Fax to Nelson and Henman re: Requesting Owners Committee approval of second draft of letter to Ott; 2/16/89.

29) Fax to Owners Committee of draft letter to Ott; 2/17/89.

30) Memorandum to TAPS Owners dated March 28, 1989 re: Memorandum from Charles Hamel and Fredericka Ott; 3/28/89.

31) Memorandum to TAPS Owners dated August 23, 1989 re: Wall Street Journal report and Alyeska's response thereto; attachments.

Hamel #6
Protest of BS&W

1) News article titled "Alyeska workers deny allegations".

2) Chemical & Geological Laboratories of Alaska, Inc. - Analytical Report dated January 20, 1978.

3) Prefiled Testimony of Charles Hamel In The Matter of the Investigation of the Reasonableness and Propriety of the BS&W Provisions of the TAPS Carriers' Tariffs, dated February 20, 1985.

4) The Wall Street Journal article of March 6, 1985, titled "U.S. Probes Charges of Improper Billing of Buyers of Alaska Pipeline Crude Oil.

5) List of "Documents Identified for Hamel/BS&W Investigation, dated April 8, 1985.

6) Brief of Intervenor Charles Hamel before the Alaska Public Utilities Commission, dated August 5, 1985.

7) Anchorage Daily News article dated August 7, 1985, titled "State attorney backs up Alyeska".

8) Letter to TAPS Legal Subcommittee, dated September 23, 1985 from Michael G. Briggs.

9) Alaska Public Utilities Commission Order No. 9*, dated August 10, 1988.

10) Alaska Public Utilities Commission Order No. 11, dated January 12, 1989.

Alyeska pipeline SERVICE COMPANY

1835 SOUTH BRAGAW STREET, ANCHORAGE, ALASKA 99512, TELEPHONE (907) 278-1011, TELEX

MEMORANDUM

TO: Congressman George Miller

CC: Jeffrey P. Petrich
Daniel Val Kish

FROM: Lawrence R. Trotter
Quinn O'Connell

RE: GAO Audit of TAPS Security

DATE: January 31, 1991

Pursuant to your recent meeting with officials from Alyeska Pipeline Service Company, we wish to outline some of the concerns Alyeska has with respect to the forthcoming GAO audit of TAPS Security. As stated by Jim Dossinger, Vice President of Alyeska, and Pat Wellington, Manager of Alyeska Security, Alyeska has no objections to a thorough review of its security measures as long as sensitive information, public disclosure of which could risk or compromise system integrity, is kept confidential.

Background

1. The Trans-Alaska Pipeline System ("TAPS") is privately owned and its owners are solely responsible for protecting the pipeline and repairing any damage the pipeline may incur.

2. Though privately owned, the safe and uninterrupted operation of TAPS is in the national interest. Consequently, pertinent federal and state agencies have been in close contact with Alyeska to determine what governmental resources might be appropriate to supplement Alyeska's security programs and activities.

3. The GAO indicated to Alyeska in December that:

a. The scope of its audit of TAPS Security will be defined when the GAO meets with Chairman Miller;

b. Even though the security of TAPS affects national security, it does not involve operations of a federal agency. As a result, the GAO was not able to give assurances that its audit report would be afforded any level of government protected classification;

c. The GAO is not planning to utilize the services of personnel on its audit team with expertise in the security field; and

d. The GAO does not currently have any regulatory or other standard or benchmark against which TAPS Security would be audited and/or evaluated.

Recommendations

Alyeska believes it is essential to consider modifications to the formal GAO audit process, which will assure that the Subcommittee has sufficient information to evaluate the security of TAPS, while not compromising sensitive TAPS security information and systems. This is particularly important in view of the current Middle East crisis and the increased threat of terrorism. These modifications could involve some combination of the following:

a. Sensitive information or documents provided to the GAO or any other agency must be held in confidence and provided some level of government protected classification.

b. In lieu of a formal written GAO report, an abbreviated summary report would be submitted to the Subcommittee in conjunction with a briefing in closed session by the GAO, Alyeska and interested, knowledgeable federal agencies, such as the U. S. Departments of Interior, Transportation and Energy, each of which has oversight responsibilities for TAPS.

c. The GAO should be encouraged to include on its audit team personnel with expertise specifically in the security field.

Conclusion

It is our understanding that your staff and a representative from Congressman Young's office will meet with the GAO to discuss the scope of the proposed audit and its intended course, bearing in mind the concerns that Alyeska expressed during its meeting with you and in this memorandum.

Thereafter, a meeting will be scheduled between your staff, representatives from Congressman Young's office, the GAO and representatives from Alyeska, during which the GAO audit will be discussed and further coordinated with input from all parties. While we did not discuss the precise schedule of these events, we will remain in contact with your office to assist with any coordination.

Alyeska representatives would be happy to discuss these matters in more detail if you have any questions. We look forward to cooperating with your Subcommittee and the GAO in every way possible and we appreciate your efforts to achieve the goals of the Subcommittee without compromising sensitive TAPS Security information.

(1)

PAUL, HASTINGS, JANOFSKY & WALKER

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATIONS MEMORANDUM
ATTORNEY WORK PRODUCT
PREPARED IN ANTICIPATION OF LITIGATION

TO: File - TAPS

DATE: October 10, 1990

FILE NO: 18970.50899

FROM: John P. Burns - LA

COPIES TO:

SUBJECT: Conference with Paul S. Bilgore and Alfred T. Smith

On October 10, 1990, Leonard Janofsky, Joel McIntyre and I met with Paul S. Bilgore, Senior Counsel of ARCO Transportation Company, and, for a portion of the conference by telephone, with Alfred T. Smith, General Counsel of Alyeska Pipeline Service Company ("Alyeska"). Prior to this meeting we had been retained by the Trans-Alaska Pipeline System ("TAPS") Owners Committee to conduct an investigation. Mr. Bilgore and Mr. Smith are counsel to the TAPS Owners and Alyeska, respectively. Accordingly, our conversations with them are privileged attorney-client communications. The following is my summary of my recollection of the conference with Messrs. Bilgore and Smith and my impressions, conclusions and opinions based thereon.

Description of Enterprise

We have been retained by the stockholders of Alyeska in their capacity as a stockholders committee (the "Owners Committee") that functions in accordance with Section 351 of the Delaware General Corporation Law. Alyeska is a Delaware corporation that operates TAPS on behalf of the TAPS owners. TAPS is owned in undivided interests, and the outstanding stock of Alyeska is owned in proportional amounts, by pipeline subsidiaries of the following seven oil companies: Amerada Hess, Atlantic Richfield Company, Brittish Petroleum Company, Exxon Corporation, Mobil Oil Corp., Phillips Petroleum Company and Unocal, Inc. Alyeska has no ownership interest in TAPS.

Alyeska acts as an agent of the Owner's Committee, which is comprised of one member (with one alternate) designated by each Alyeska stockholder. The members (called "Owner's Representatives") and alternates of the Owner's Committee are identified on Exhibit A

hereto, which was supplied by Mr. Bilgore. The Owners Committee has established certain subsidiary committees comprised, in some instances, by designees of the owners of TAPS who are not members of the Owners Committee. Mr. Bilgore is chairman of the Legal Affairs subcommittee and is the ARCO Transportation Company designee thereto, but is not a member of the Owner's Committee. Mr. Biglore has been designated as the legal liaison with PHJ&W.

Three of the TAPS interest holders own, in aggregate, over 90% of the total interest in TAPS: BP Oil Company (as successor in interest to British Petroleum and the Standard Oil Company of Ohio) holds greater than a 50% interest, ARCO Pipe Line Company (a subsidiary of ARCO Transportation Company) holds approximately 21.3% and Exxon Pipeline Company owns approximately 20.1%. Mr. Biglore will provide us with a precise schedule of interests. The TAPS owners share operating costs and other capital requirements of TAPS (through Alyeska) and the profits from TAPS in proportion to their respective interests. It is not clear whether voting on the Owners Committee or the subcommittees is per interest or per capita.

Principal Persons Involved.

James B. Hermiller	-	President of Alyeska; hired from Brittish Petroleum at the time of the Exxon Valdez oil spill to improve operations and restore public confidence; has been doing a good job thus far.
Steven Dietrich	-	In charge of non-operational matters at Alyeska; Wellington's supervisor; on loan from (and now returned to) Exxon Pipeline Company in Houston, Texas.
A.T. "Fred" Smith	-	General Counsel of Alyeska
J. Patrick Wellington	-	Director of Security at Alyeska

Lon R. Trotter	-	Senior Attorney of Alyeska
Wackenhut	-	International security consulting firm with a long- standing relationship with Alyeska; investigating team supervised by Wayne Black; ultimate authority was Alan B. Bernstein - Executive Vice President of Domestic Operations; team included Dr. Jenkins (pseudonym for Wayne Black) and four others.
Ecolit	-	a dummy business established in February 1990 by Wackenhut; purported to provide support for persons litigating ecological and/or environmental issues.
Peter James	-	Los Angeles legal counsel to Alyeska engaged to prepare for document replevy and related actions; may have drafted complaints; law firm is Baker & Hosteller, McCutchen Black.
Edward Boiko	-	Local Alaska legal counsel engaged to assist Peter James with replevy and related actions.
Charles Hamel	-	Former administrative assistant to former U.S. Senator Michael Gravell (D-Alaska); strong ties to Cordova Alaska fisherman's union (which is publicly opposed to TAPS and Alyeska); activist/dis-

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		sident group gadfly - reputed to traffic in information ("gossip", "dirt", etc.) and to be the principal recipient of leaked confidential TAPS/Alyeska information; no apparent means of support; U.S. Rep. George Miller (D-California) is his current "pet" politician, close ties to Miller's administrative assistant - Miller appears to covet chairmanship of interior committee and is vocal in opposition to TAPS and Alyeska; also has an intimate relationship (by Hamel's own admission) with Ray Nigh - senior air quality administrator for region 9 (includes city of Valdez) - recently issued a notice of deficiency to Alyeska that has been termed "scandalous" in its inaccuracy.
Ray Scott	-	Alyeska technician stationed at Valdez facility; long considered for discharge for just cause for, among other reasons, performing his duties significantly below the required proficiency level; suspected of leaking confidential information concerning TAPS/Alyeska to outside persons.

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Background Information.

Hamel's "obsession" with TAPS/Alyeska appears to have begun several years ago when he and others chartered a tanker to transport crude oil purchased at Valdez to refineries on the west coast of the United States. The crude did not command the price Hamel anticipated because, according to refinery personnel, it contained significant amounts of water. Hamel charged TAPS/Alyeska with watering the oil in the pipeline. An Alaskan government administrative tribunal subsequently rejected Hamel's assertion. Hamel has since claimed, among other things, that tankers are mixing hazardous waste in with their ballast water prior to pumping the water through the Valdez facility purification system. Approximately 6 years ago, Hamel offered to sell for $12 million certain useful technology to TAPS/Alyeska that would aid in their ballast water purification efforts. Hamel's offer was declined and some people speculate that it was in reality a disguised request for a payoff.

Alyeska is a named defendant in over 180 pending suits stemming from the Exxon Valdez spill. The high profile of TAPS/Alyeska and the increasing "politicizing" of ecological/environmental matters has caused them to be among the most heavily investigated companies in the United States. Alyeska, the Owners Committee and the TAPS owners feel that TAPS/Alyeska has a delicate public image that could be damaged seriously by further leaks or unfavorable publicity. Alyeska has been the subject of numerous and damaging leaks of confidential information. As an example, Mr. Bilgore indicated that the Scottish Eye, an English television show, contrasted Brittish Petroleum's participation in TAPS/Alyeska with BP's North Sea operations, showing TAPS/Alyeska in a very poor light. The story made public portions of confidential memoranda prepared by outside legal counsel to Alyeska, but no one knows how the memoranda came into their possession. The memoranda themselves were shown on the television program. In addition, Alyeska personnel feel that the TAPS owners do not understand their business or situation. These factors have combined to create paranoia among the employees and a "siege mentality" of the enterprise as a whole.

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The Wackenhut Investigation.

In February 1990, Wellington proposed to Hermiller and (probably) Dietrich an investigation to be conducted by Wackenhut that was intended to eliminate the repeated wrongful disclosure of confidential information by TAPS/Alyeska personnel. In authorizing Wellington to proceed with the investigation, Hermiller stressed the requirement that all activities be conducted in a proper and lawful manner. Hermiller claims to have informed Fred G. Garibaldi, the Owners Committee member from BP Oil and the Chairman of the Owner's Committee, that the investigation was going to be commenced. Mr. Garibaldi has a vague recollection of conversations with Hermiller concerning the investigation on one or two occasions.

An as yet unidentified female operative of Wackenhut made contact with Hamel at the Alaska Frontier Conference in her guise as an Ecolit representative. They met again inadvertently and conversed on the return flight. Hamel's inclination to drop names and openly discuss his relationship with politicians, groups and others encouraged Wackenhut to cultivate a relationship with him. Dr. Jenkins was introduced to Hamel and became his principal contact. Dr. Jenkins subsequently visited Hamel's home in Alexandria, Virginia where Hamel showed him the following confidential TAPS/Alyeska documents: (i) an attorney work product memorandum of Gibson, Dunn & Crutcher analyzing the current TAPS/Alyeska situation against the "promises" made at the time the project was proposed; (ii) an attorney work product memorandum of Gibson, Dunn & Crutcher setting forth an almost minute-by-minute chronology of the Exxon Valdez incident and the TAPS/Alyeska response to it; and (iii) a confidential proposal by a consultant hired by Alyeska to consider the advisability/feasibility of undertaking certain health risk studies in and about TAPS/Alyeska facilities. Hamel did not disclose how he came into possession of the confidential materials, but it is possible that they were removed by an Alyeska employee from a desk in the legal department. Messrs. James and Boiko were engaged by Alyeska at this time.

Wackenhut then opened an Ecolit office in Virginia near Hamel's residence. An indeterminate number of meetings were held between Dr. Jenkins, Hamel and other Wackenhut operatives at the new Ecolit office. These meetings disclosed that Hamel claimed a close association with the union shop steward at TAPS pumpstation 6, from whom Hamel claimed to be receiving a TAPS/Alyeska employee mailing list. Hamel stated that he intended to distribute to these employees an inflammatory newsletter of his authorship entitled An Outsider's View in an effort to undermine the TAPS/Alyeska newsletter An Insider's View. Hamel also requested in one or more of these meetings to be placed on the Ecolit payroll as a consultant. He suggested characterizing the payments to him as being for "software". Hamel was stalled by claims of thin financing made by Ecolit personnel while Wackenhut discussed the legality of such payments with Florida counsel versed in white collar criminal law. Hamel was subsequently paid $2,000.00 as a consultant on each of two occasions by Wackenhut operatives. Hamel apparently discussed and boasted of his political and other relationships (described above) throughout these meetings.

Wackenhut videotaped certain of these meetings and audio-taped several other conversations (all face-to-face?) between Wackenhut operatives and Hamel. Wackenhut claims to have cleared these activities in advance with their Florida legal counsel. Approximately 10 hours (running time) of such videotape and an unknown amount of audio tape was produced by Wackenhut. Hermiller claims to have consulted Mr. Garibaldi again prior to the commencement of any taping. Mr Garibaldi has confirmed that he was aware of the investigation but that he did not appreciate the gravity of the situation. Messrs. Smith and Trotter were informed of the investigation's existence sometime between February and August 1990.

During the period that these meetings were occurring, Wackenhut conducted an unknown number of searches of Hamel's household trash. It is not known where the trash was located (whether on or off Hamel's property, at the curb, etc.) when obtained by Wackenhut. One such search is believed to have produced evidence confirming that Scott had leaked confidential

TAPS/Alyeska information to Hamel. We do not know of what this evidence consists. Hamel's trash was not searched again after Hamel voiced his suspicion that Exxon was responsible for at least one such search. We do not know whether Wackenhut conducted any surveillance activities with respect to Hamel. We do not know the current employment status of Scott, but Mr. Janofsky strongly cautioned against discharging such employee at this time if he had not yet been discharged.

Owners Committee Response

Upon becoming aware of the investigation, the Owners Committee, itself and through the Legal Affairs subcommittee, held a meeting on September 25, 1990 and on October 3, 1990. The substance of such meetings are outlined in the confidential memoranda of Mr. Bilgore attached hereto as Exhibits B and C. The Owner's Committee resolved to take the following actions, among others:

(i) Shut down all operations in an expedient manner and immediately discontinue any further recording and videotaping;

(ii) Avoid using the tapes, recordings and other information for any purpose, including the purposes of taking action against Alyeska employees;

(iii) Assemble and preserve all relevant data pending further instructions as to disposition;

(iv) Avoid any further dissemination of the fact of the investigation; and

(v) Retain outside legal counsel to (a) satisfy itself as to the facts underlying the security investiga- tion; (b) determine the appropriate disposition of the data collected during the investigation; and (c) provide assurances that the investigation created no liability exposure to Alyeska or its owner companies.

Persons "In the Know".

At least the following persons are believed to be aware of all or a portion of the information outlined above:

- each member of the Owners Committee and at least one additional person at each Owner
- the TAPS/Alyeska personnel named above (other than Scott)
- an Alyeska legal assistant named Kilty
- the Florida counsel to Wackenhut, and Messrs. Boiko and James
- the Wackenhut personnel named or described above
- Ron Olson, the legal counsel having primary responsibility for the Exxon Valdez actions

In addition, the following legal counsel are aware that the Wackenhut investigation occurred and, possibly, some or all of the other events described above (all such persons are in-house counsel for the companies indicated, except for Mr. Tabor):

Names	Affiliation
Averill M. Williams A.B. "Burt" Tabor	Amerada Hess Vinson & Elkins (counsel to Hess)
Robert Johnson William Webb	BP Oil Company
E. Anne Pace Malcom Hawk John Rebman Ken Roberts	Exxon Pipeline Company

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Thomas Weinans	Mobil Alaska Pipeline Co.
Glenn Davis	Phillips Alaska Pipeline Co.

Tangible Materials

The following tangible materials were known to have been produced during the course of the Wackenhut investigation:

- videotapes
- audio tapes
- investigators' reports (periodic and special)
- trash evidence implicating Scott
- general correspondence
- attorney work product of James

We do not know whether additional materials (such as personal notes and memoranda) were produced or the current location of the known tangible materials.

J.P.B.
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